SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED JUNE 30, 2002.
Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

COMMISSION FILE NUMBER 0-12919

PIZZA INN, INC.
(Exact name of registrant as specified in its charter)

MISSOURI	47-0654575
(State or jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3551 PLANO PARKWAY
THE COLONY, TEXAS 75056
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (469) 384-5000
Securities Registered Pursuant to Section 12(b) of the Act: NONE
Securities Registered Pursuant to Section 12(g) of the Act:
COMMON STOCK, PAR VALUE $.01 EACH
(Title of Class)

At September 13, 2002, there were 10,058,324 shares of the registrant's Common Stock outstanding, and the aggregate Market value of registrant's Common Stock held by non-affiliates was $16,847,693, based upon the average of the bid and ask prices.

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 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 [X] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement, to be filed pursuant to Section 14(a) of the Securities Exchange Act of 1934 in connection with the registrant's annual meeting of shareholders in December 2002, have been incorporated by reference in Part III of this report.

PART I

ITEM 1 - BUSINESS

GENERAL

Pizza Inn, Inc. (the "Company"), a Missouri corporation incorporated in 1983, is the successor to a Texas company of the same name that was incorporated in 1961. The Company is the franchisor and food and supply distributor to a system of restaurants operating under the trade name "Pizza Inn".

On September 13, 2002, the Pizza Inn system consisted of 427 units, including two Company owned and operated units, a third that the Company is currently in the process of relocating, and 424 franchised units. The Company-operated units are used for product testing and franchisee training, in addition to serving customers. The domestic franchised units are comprised of 216 full service units, 55 delivery/carry-out units, 15 self serve buffet units, and 78 franchised Express units. The international franchised units are comprised of 20 full service units, 25 delivery/carry-out units and 15 Express units. Pizza Inn units are currently located in 20 states and 11 foreign countries. Domestic units are located predominantly in the southern half of the United States, with Texas, North Carolina, and Mississippi accounting for approximately 32%, 16%, and 8% of the total, respectively. Norco Restaurant Services ("Norco"), a division of the Company, distributes food products, equipment, and other supplies to units in the United States and, to the extent feasible, in other countries.

On August 21, 2002, C. Jeffery Rogers, the Company's former Chief Executive Officer, resigned his position with the Company.

PIZZA INN RESTAURANTS

Full service restaurants ("Full Service") offer dine-in and carry-out service and, in most cases, also offer delivery service. These restaurants serve pizza on three different crusts (Original Thin Crust, New York Pan, and Italian Crust), with standard toppings and special combinations of toppings. They also offer pasta, salad, sandwiches, desserts and beverages, including beer and wine in some locations. They are generally located in free standing buildings in close proximity to offices, shopping centers and residential areas. The current standard Full Service units are between 3,000 and 5,000 square feet in size and seat 120 to 185 customers. The interior decor is designed to promote a contemporary, family style atmosphere.

Restaurants that offer delivery and carry-out service only ("Delcos") are growing in popularity and number. Delcos typically are located in shopping centers or other in-line arrangements, occupy approximately 1,000 square feet, and offer limited or no seating. Delcos generally offer the same menu as Full Service units, except for buffet. The decor of these units is designed to be bright and highly visible, featuring neon, lighted displays and awnings.

The Self Serve Buffet restaurant ("Self Serve") offers items from the full dine-in menu, and features delivery, carryout, and a self-serve buffet and beverage station. The Self Serve can be free-standing or located in a strip center. Slightly larger than a Delco, it ranges in size from 2,400 to 2,600 square feet and seats approximately 60 customers.

Express Serve units ("Express"), are typically located in a convenience store, college campus, airport terminal, or other commercial facility. They have limited or no seating and offer quick carry-out service of a limited menu of pizza and other foods and beverages. An Express unit typically occupies approximately 200 to 400 square feet and is commonly operated by the same person who owns the commercial facility or who is licensed at one or more locations within the facility.

FRANCHISING

The Pizza Inn concept was first franchised in 1963. Since that time, industry franchising concepts and development strategies have changed, thus present franchise relationships are evidenced by a variety of contractual forms. Common to those forms are provisions that: (i) provide an initial franchise term of 20 years (except as described below) and a renewal term, (ii) require the franchisee to follow the Pizza Inn system of restaurant operation and management, (iii) require the franchisee to pay a franchise fee and continuing royalties, and (iv) except for Express units, prohibit the development of one unit within a specified distance from another.

The Company's current form of franchise agreement provides for: (i) a franchise fee of $20,000 for a Full Service unit, $15,000 for a Self Serve, $7,500 for a Delco, and $3,500 for an Express unit, (ii) an initial franchise term of 20 years for a Full Service or Self Serve unit, 10 years for a Delco, plus a renewal term of 10 years in both cases, and an initial term of five years for an Express unit plus a renewal term of five years, (iii) contributions equal to 1% of gross sales to the Pizza Inn Advertising Plan or to the Company, discussed below, (iv) royalties equal to 4% of gross sales for a Full Service, Self Serve, or Delco, and 6% of gross sales for an Express unit, and (v) required advertising expenditures of at least 5% of gross sales for a Full Service, Self Serve and a Delco, and 2% for an Express unit.

The Company has adopted a franchising strategy that has three major components: continued development within existing Pizza Inn market areas, development of new domestic territories, and continued growth in the international arena. As a cornerstone of this approach, the Company offers, to certain experienced restaurant operators, area developer rights in both new and existing domestic markets. An area developer pays a negotiated fee to purchase the right to operate or develop, along with the Company, Pizza Inn restaurants within a defined territory, typically for a term of 20 years plus renewal options for 10 years. The area developer agrees to a new store development schedule and assists the Company in local franchise service and quality control. In return, half of the franchise fees and royalties earned on all units within the territory are retained by the area developer during the term of the agreement. Similarly, the Company offers master franchise rights to develop Pizza Inn restaurants in certain foreign countries, with negotiated fees, development schedules, and ongoing royalties.

As with developers, a master licensee for a foreign country pays a negotiated fee to purchase the right to develop and operate Pizza Inn restaurants within a defined foreign territory, typically for a term of 20 years plus renewal options for 10 years. The master licensee agrees to a new store development schedule and the Company trains the master licensee to monitor and assist franchisees in their territory with local franchise service and quality control, with support from the Company. In return, the master licensee typically retains half the franchise fees and approximately half the royalties on all units within the territory during the term of the agreement. While all Pizza Inn restaurants opened in an area of a developer's territory enter into franchise agreements with the Company, a master licensee may open restaurants owned and operated by the master licensee, or they may open sub-franchised restaurants owned and operated by third parties through agreement with the master licensee.

FOOD AND SUPPLY DISTRIBUTION

The Company's Norco division offers substantially all of the food and paper products, equipment and other supplies necessary to operate a Pizza Inn restaurant. Franchisees are required to purchase from Norco certain food products that are proprietary to the Pizza Inn system. In addition, the vast majority of franchisees also purchase other supplies from Norco.

Norco operates its central distribution facility six days per week, and it delivers to all domestic units on a weekly basis, utilizing a fleet of refrigerated tractor-trailer units operated by Company drivers and independent owner-operators. Norco also ships products and equipment to its international franchisees. The food, equipment, and other supplies distributed by Norco are generally available from several qualified sources, and the Company is not dependent upon any one supplier or limited group of suppliers. The Company contracts with established food processors for the production of its proprietary products. The Company does not anticipate any difficulty in obtaining supplies in the foreseeable future.

ADVERTISING

The Pizza Inn Advertising Plan ("PIAP") is a Texas non-profit corporation that creates and produces print advertisements, television and radio commercials, and in-store promotional materials along with related advertising services for use by its members. Each operator of a Full Service, Self Serve or Delco unit, including the Company, is entitled to membership in PIAP. Nearly all of the Company's existing franchise agreements for Full Service, Self Serve, and Delco units require the franchisees to become members of PIAP. Members contribute 1% of their gross sales to PIAP. PIAP is managed by a Board of Trustees comprised of franchisee representatives who are elected by the members each year. The Company does not have any ownership interest in PIAP. The Company provides certain administrative, marketing, and other services to PIAP and is paid by PIAP for such services. On September 13, 2002, the Company-operated stores and substantially all of its franchisees were members of PIAP. Operators of Express units do not participate in PIAP; however, they contribute up to 1% of their gross sales directly to the Company to help fund purchases of Express unit marketing materials and similar expenditures. Express units may also voluntarily contribute up to 2% of their gross sales to the Royalty Rebate Advertising Program ("RRAP"). The RRAP contributions are matched by the Company and used to help fund purchases of Express unit marketing materials and similar expenditures.

Groups of franchisees in some of the Pizza Inn system's market areas have formed local advertising cooperatives. These cooperatives, which may be formed voluntarily or may be required by the Company under the franchise agreements, establish contributions to be made by their members and direct the expenditure of these contributions on local media advertising using materials developed by PIAP and the Company.

The Company and its franchisees conduct independent marketing efforts in addition to their participation in PIAP and local cooperatives.

TRADEMARKS AND QUALITY CONTROL

The Company owns various trademarks, including the name "Pizza Inn", which are used in connection with the restaurants and have been registered with the United States Patent and Trademark Office. The duration of such trademarks is unlimited, subject to continued use. In addition, the Company has obtained trademark registrations in several foreign countries and has applied for registration in others. The Company believes that it holds the necessary rights for protection of the trademarks essential to its business.

The Company requires all units to satisfy certain quality standards governing the products and services offered through use of the Company's trademarks. The Company maintains a staff of field representatives, whose primary responsibilities include periodic visits to provide advice in operational and marketing activities and to evaluate and enforce compliance with the Company's quality standards.

TRAINING

The Company offers numerous training programs for the benefit of franchisees and their restaurant crew managers. The training programs, taught by experienced Company employees, focus on food preparation, service, cost control, sanitation, safety, local store marketing, personnel management, and other aspects of restaurant operation. The training programs include group classes, supervised work in Company-operated units, and special field seminars. Training programs are offered free of charge to franchisees, who pay their own travel and lodging expenses. Restaurant managers train their staff through on-the-job training, utilizing video tapes and printed materials produced by the Company.

WORKING CAPITAL PRACTICES

The Company's Norco division maintains a sufficient inventory of food and other consumable supplies that it typically distributes to Pizza Inn units on a weekly basis. The Company's accounts receivable and notes receivable consist primarily of receivables from food and supply sales, equipment sales, and accrued franchise royalties.

GOVERNMENT REGULATION

The Company is subject to registration and disclosure requirements and other restrictions under federal and state franchise laws. The Company's Norco division is subject to various federal and state regulations, including those regarding transportation of goods, food labeling, safety, sanitation, distribution, and vehicle licensing.

The development and operation of Pizza Inn units are subject to federal, state, and local regulations, including those pertaining to zoning, public health, and alcoholic beverages, where applicable. Many restaurant employees are paid at rates related to the minimum wage established by federal and state law. Increases in the federal minimum wage can result in higher labor costs for the Company operated units, as well as its franchisees, which may be partially offset by price increases or operational and equipment efficiencies.

EMPLOYEES

On September 13, 2002, the Company had approximately 220 employees, including 67 in the Company's corporate office, 76 at its Norco division, and 28 full-time and 49 part-time employees at the Company-operated restaurants. None of the Company's employees are currently covered by collective bargaining agreements. The Company believes that its employee relations are excellent.

COMPETITION

The restaurant business is highly competitive. The Company and its franchisees compete with other national and regional pizza chains, independent pizza restaurants, and other restaurants that serve moderately priced foods. The Company believes that Pizza Inn units compete primarily on the basis of the quality, value and price of their food, the consistency and level of service, and the location, attractiveness, and cleanliness of their restaurant facilities. Because of the importance of brand awareness, the Company has increased its development emphasis on individual market penetration and local cooperative advertising by franchisees.

The Company's Norco division competes with both national and local distributors of food, equipment and other restaurant supplies. The distribution industry is very competitive. The Company believes that the principal competitive factors in the distribution industry are product quality, customer service and price. Norco is the sole authorized supplier of certain proprietary products which are required to be used by all Pizza Inn units.

In the sale of franchises, the Company competes with franchisors of other restaurant concepts and franchisors of a variety of other products and services. The Company believes that the principal competitive factors affecting the sale of franchises are product quality and value, consumer acceptance, franchisor experience and support, and the quality relationship maintained between the franchisor and its franchisees.

SEASONALITY

Historically, sales at Pizza Inn restaurants have been somewhat higher during the warmer months and somewhat lower during the colder months of the year. The Company believes that the increasing popularity of delivery service and expansion into the high impulse purchase markets of Express units should lessen the seasonal impact on future chainwide sales.

SUBSEQUENT EVENTS

On August 21, 2002, C. Jeffery Rogers, the Company's former Chief Executive Officer, resigned his position with the Company. In addition, pursuant to the terms of that certain Severance Agreement and Release ("Agreement") dated August 21, 2002 between C. Jeffery Rogers and Pizza Inn, Inc. the Company paid Mr. Rogers $195,000 in lieu of salary and made certain other payments as described in the Agreement which is attached as Exhibit 10.12 to this filing.

ITEM 2 - PROPERTIES

In November 2001 the Company moved into a new 40,000 square foot facility housing its corporate office and training center, and a 100,000 square foot warehouse and distribution facility. These buildings were constructed on approximately 11 acres of land the Company purchased in The Colony, Texas in December 2000. Refer to the notes to the consolidated financial statements for information concerning financing terns and construction costs.

The Company continues to lease 20,677 square feet in Dallas, Texas that it previously occupied as its corporate office. The lease expires in April 2003 but the Company is actively marketing the premises for a subtenant.

Each of the Company-operated Pizza Inn restaurants (all located in Texas) are leased. The Company-operated units range in size from approximately 2,500 to 3,600 square feet and incur annual minimum rent between $12.50 and $20.00 per square foot. Some of the leases require payment of additional rent based upon a percentage of gross sales and require the Company to pay for repairs, insurance and real estate taxes. The leases are renewable and will expire in 2005 and 2007.

ITEM 3 - LEGAL PROCEEDINGS

Certain pending legal proceedings exist against the Company that the Company believes are not material or have arisen in the ordinary course of its business.

On January 18, 2002, the Company was served with a lawsuit filed by Blakely-Witt & Associates, Inc. in the District Court, L-193rd Judicial District, Dallas County, Texas (Cause No. 01-11043). The suit alleges Pizza Inn sent or caused to be sent unsolicited facsimile advertisements to plaintiff and others in violation of (i) 47 U.S.C. Section 227(b)(1)(C) and (b)(3), the Telephone Consumer Protection Act, and (ii) Texas Business and Commerce Code Section 35.47. The plaintiff has requested this matter be certified as a class action. We plan to vigorously defend our position in this litigation. We cannot assure you that we will prevail in this lawsuit and our defense could be costly and consume the time of our management. We are unable to predict the outcome of this case. However, an adverse resolution of this matter could materially affect our financial position and results of operations.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the Company's fiscal year 2002.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On September 13, 2002, there were 2,440 stockholders of record of the Company's Common Stock.

The Company's Common Stock is listed on the Small-Cap Market of the National Association of Securities Dealers Automated Quotation ("NASDAQ") system under the symbol "PZZI". The following table shows the highest and lowest actual trade executed price per share of the Common Stock during each quarterly period within the two most recent fiscal years, as reported by the National Association of Securities Dealers. Such prices reflect inter-dealer quotations, without adjustment for any retail markup, markdown or commission.

	Actual Trade Executed Price	
	High	Low
2002		
First Quarter Ended 9/23/2001 .	2 17/64	1 27/32
Second Quarter Ended 12/23/2001	2 5/32	1 1/32
Third Quarter Ended 3/24/2002 .	1 43/64	1 13/64
Fourth Quarter Ended 6/30/2002.	1 35/64	1 3/32
2001		
First Quarter Ended 9/24/2000 .	4	2 15/16
Second Quarter Ended 12/24/2000	3 3/8	1 5/8
Third Quarter Ended 3/25/2001 .	2 7/8	1 7/16
Fourth Quarter Ended 6/24/2001.	2 1/4	1 5/8

Under the Company's bank loan agreement, the Company is limited in its ability to pay dividends or make other distributions on the common stock. The Company did not pay any dividends on its common stock during the fiscal year ended June 30, 2002. The Company paid dividends of $1,243,000, or $.12 per share, for the fiscal year ended June 24, 2001. Any determination to pay cash dividends in the future will be at the discretion of the Company's Board of Directors and will be dependent upon the Company's results of operations, financial condition, capital requirements, contractual restrictions and other factors deemed relevant.

ITEM 6 - SELECTED FINANCIAL DATA

The following table contains certain selected financial data for the Company for each of the last five fiscal years through June 30, 2002, and should be read in conjunction with the financial statements and schedules in Item 8 of this report. Earnings per share data for all periods presented have been restated to reflect the computation of earnings per share in accordance with SFAS 128.

(In thousands, except per share amounts)	Year Ended June 30, 2002	June 24, 2001	June 25, 2000	June 27, 1999	June 28, 1998
SELECTED INCOME STATEMENT DATA:					
Total revenues	$ 66,642	$ 65,268	$ 67,640	$ 67,261	$ 65,269
Income before taxes.	1,723	3,921	4,389	4,096	7,023
Net income	1,137	2,480	2,884	2,752	4,880
Basic earnings per common share. . . .	0.11	0.23	.25	.24	.38
Diluted earnings per common share. . .	0.11	0.23	.25	.23	.36
Dividends declared per common share. .	-	0.12	.24	(2).18	(1) .24
SELECTED BALANCE SHEET DATA:					
Total assets	24,614	19,872	17,691	18,586	21,773
Long-term debt and capital lease obligations	15,227	11,161	10,655	6,944	5,454

(1) On June 28, 1999 the Company's Board of Directors declared a quarterly dividend of $.06 per share on the Company's common stock, payable to shareholders of record on July 9, 1999.

(2) On June 26, 2000 the Company's Board of Directors declared a quarterly dividend of $.06 per share on the Company's common stock, payable to shareholders of record on July 7, 2000.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

FISCAL 2002 COMPARED TO FISCAL 2001

Diluted earnings per share decreased 52% to $0.11 from $0.23 in the prior year. Net income decreased 54% to $1,137,000 from $2,480,000 in the prior year, on revenues of $66.6 million in the current year and $65.3 million in the prior year. Pre-tax income decreased 56% to $1,723,000 from $3,921,000. The decrease in net income was primarily attributable to a pretax charge of approximately $1.9 million to reserve for a note receivable owed to the Company from C. Jeffrey Rogers, the Company's former Chief Executive Officer. Based on a review of certain financial information provided by Mr. Rogers, the Board of Directors of the Company has determined the collection of the loan of approximately $1.9 million from the Company to Mr. Rogers is doubtful. The Company recorded the charge in the fourth quarter of fiscal 2002 to fully reserve for the possible nonpayment by Mr. Rogers. The Company intends, to the extent legally permissible, to enforce this obligation under the relevant terms of the Promissory Note and the Pledge Agreement. On August 21, 2002, C. Jeffery Rogers, the Company's former Chief Executive Officer, resigned his position with the Company.

Results of operations for fiscal 2002 include fifty-three weeks versus fifty-two weeks in fiscal 2001.

Food and supply sales by the Company's Norco division include food and paper products, equipment, marketing material, and other distribution revenues. Total food and supply sales increased 1% to $57.7 million from $57.0 million in the prior year. Higher cheese prices, the additional week of operations, and increased sales of marketing materials were partially offset by lower chainwide retail sales.

Franchise revenue, which includes royalties, license fees and income from area development and foreign master license (collectively, "Territory") sales, increased 3% or $155,000 in fiscal 2002 primarily due to the sale of an international master license.

Restaurant sales, which consist of revenue generated by Company-operated stores, for the year decreased 9% or $212,000 compared to the same period of the prior year. This is the result of the temporary closing of the Delco unit in September 2001.

Other income primarily consists of interest income and non-recurring revenue items. Other income increased 137% or $724,000 primarily due to the non-cash reversal of a $700,000 reserve which was originally set up as the Company emerged from bankruptcy, and is now deemed unnecessary.

Cost of sales increased less than 1% to $54.1 million from $53.8 million in the prior year. As a percentage of sales, cost of sales decreased to 90.5% from 90.6% compared to the prior year. Higher cost of sales due to the additional week of operations, as described above, were offset by lower fuel costs.

Franchise expenses include selling, general and administrative expenses (primarily wages and travel expenses) directly related to the sale and service of franchises and Territories. These costs increased 8% or $217,000 compared to last year primarily due to the additional week of operations and increased expenses for training materials.

General and administrative expenses increased 22% or $839,000 in fiscal 2002. This is primarily the result of the full provision for all remaining rent expense at the Company's former corporate headquarters of approximately $304,000 and additional legal reserves of $165,000. Additionally, property taxes and insurance associated with the new facility, along with the extra week of operations in fiscal 2002, all contributed to higher general and administrative expenses.

Interest expense decreased less than 1% or $4,000 in the current year. Lower interest rates and increased capitalized interest on funds used in construction of the new corporate office and distribution facility were partially offset by higher debt levels in the current year.

Provision for income taxes decreased 59% or $855,000 due to lower income. The effective tax rate was 34% compared to 37% in the prior year. The decrease in the effective tax rate is primarily due to a decrease in nondeductible permanent differences, which were partially offset by a change in the valuation allowance due to the potential expiration of certain foreign tax carryforwards.

During fiscal 2002, the Company opened for business a total of 37 new Pizza Inn franchise units, including 29 domestic and 8 international units. Domestically, 46 units were closed by franchisees or terminated by the Company typically because of unsatisfactory standards of operation or performance. Similarly, 8 international units were closed.

FISCAL 2001 COMPARED TO FISCAL 2000

Diluted earnings per share decreased 8% to $0.23 from $0.25 in the prior year. Net income decreased 14% to $2,480,000 from $2,884,000 in the prior year, on revenues of $65.3 million in the current year and $67.6 million in the prior year. Pre-tax income decreased 11% to $3,921,000 from $4,389,000. The Company considers pre-tax income to be the best measure of its performance due to the significant benefit of its net operating loss carryforwards. These carryforwards, which total $2.8 million at June 24, 2001, reduce the income taxes paid by the Company from the 34% statutory rate to the minimum tax rate of approximately 2%.

Food and supply sales by the Company's distribution division decreased 4% to $57.0 million from $59.1 million in the prior year as a result of fewer stores, softer retail sales, and slightly lower cheese prices. International food and supply sales decreased $554,000 from the prior year due to lower sales and store closings caused primarily by poor economic and social conditions in international markets. Domestic and international equipment sales decreased 12.6%, or $213,000 from the prior year due to fewer store openings.

Franchise revenue, which includes royalties, license fees and income from area development and foreign master license (collectively, "Territory") sales, decreased 6% or $325,000 in fiscal 2001. Royalty revenue decreased 5% or $294,000 compared to last year, mainly resulting from a decrease in domestic and international chainwide sales.

Restaurant sales, which consist of revenue generated by Company-owned stores, for the year decreased less than 1% or $6,000 compared to the same period of the prior year.

Other income consists of primarily interest income and non-recurring revenue items. Other income increased 15% or $69,000 due to higher vendor incentives in the current year, the sale of promotional items, and increased interest income.

Cost of sales decreased 4% to $53.8 million from $55.9 million in the prior year. As a percentage of sales, cost of sales decreased to 90.6% from 90.9% compared to the prior year. Cost of sales decreased primarily due to lower food and supply sales as noted above, which was partially offset by higher vehicle costs, depreciation and amortization, and rent expense.

Franchise expenses include selling, general and administrative expenses (primarily wages and travel expenses) directly related to the sale and service of franchises and Territories. These costs decreased 1% or $36,000 compared to last year.

General and administrative expenses increased 5% or $188,000 in fiscal 2001. This is a result of computer system modifications that were capitalized in the prior year, and lower legal fees in the prior year.

Interest expense increased 11% or $86,000 in the current year. Lower interest rates and capitalized interest on funds used in construction of the new corporate office and distribution facility were partially offset by higher debt levels in the current year.

Provision for income taxes decreased 4% or $64,000 in the current year due to lower income. The effective tax rate was 37% compared to 34% in the prior year. The increase in the effective tax rate is primarily due to an increase in permanent differences from the prior year.

During fiscal 2001, the Company opened for business a total of 35 new Pizza Inn franchise units, including 27 domestic and 8 international units. Domestically, 58 units, including 25 Express units, were closed by franchisees or terminated by the Company typically because of unsatisfactory standards of operation or performance. Similarly, 23 international units were closed, of which 11 were kiosk units.

FINANCIAL CONDITION

Cash and cash equivalents increased $230,000 in fiscal 2002. The Company used the cash flow generated from operations plus the proceeds from increased net bank borrowings of $4.5 million to fund approximately $9.0 million of capital expenditures consisting primarily of construction costs for the new corporate office and distribution center, and approximately $573,000 to reacquire 262,100 shares of its own common stock at prevailing prices on the open market.

At June 30, 2002 the net deferred tax asset balance was $2.6 million. This balance includes various temporary differences. At June 30, 2002, the Company has a valuation allowance of $225,000 which consists primarily of foreign tax credit carryforwards that may expire before they can be utilized. The Company believes that it is more likely than not that these credits will not be realized.

Management believes that future operations will generate sufficient taxable income, along with the reversal of temporary differences, to fully realize the deferred tax asset, net of a valuation allowance of $225,000 primarily related to the potential expiration of certain foreign tax credit carryforwards. Additionally, management believes that taxable income based on the Company's existing franchise base should be more than sufficient to enable the Company to realize its net deferred tax asset without reliance on material, non-routine income.

The Company has realized substantial benefit from the utilization of its net operating loss carryforwards to reduce its federal tax liability and expects to realize a benefit in future years from the utilization of its temporary differences, which currently total $2.6 million. In accordance with SFAS 109, carryforwards, when utilized, are reflected as a reduction of the deferred tax asset rather than a reduction of income tax expense. This has caused the Company to reflect an amount for federal income tax expense on its statements of operations at an effective corporate rate of 34%, 37%, and 34% for fiscal years 2002, 2001 and 2000, respectively. However, the actual amount of taxes paid at the alternative minimum tax rate of approximately 0%, 0% and 2% for fiscal years 2002, 2001, and 2000, respectively, is significantly less than the corporate rate reflected on the Company's statement of operations. As of June 30, 2002, the net operating loss carryforwards have been fully utilized. Historically, the differences between pre-tax earnings for financial reporting purposes and taxable income for tax purposes have consisted of temporary differences arising from the timing of depreciation, deductions for accrued expenses and deferred revenues, as well as permanent differences as a result of the exercise of stock options deducted for income tax purposes but not for financial reporting purposes.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations totaled $5,560,000 in fiscal 2002 and was used primarily, in conjunction with additional borrowings, to fund capital expenditures and to reacquire the Company's common stock.

The Company increased its net bank borrowings by $4.5 million to $16.7 million at June 30, 2002 from $12.2 million at June 24, 2001 primarily as a result of construction costs and equipment for the new corporate office and distribution center.

During fiscal 2002 the Company purchased 262,100 shares of its own common stock on the open market for a total price of approximately $573,000. This brings the total number of shares in treasury to 4,897,645 as of June 30, 2002.

Capital expenditures of $8,952,000 during fiscal 2002 consist primarily of construction costs and equipment for the new corporate office and distribution center.

The Company's future requirements for cash relate primarily to the repayment of debt, capital expenditures, including information system upgrades and miscellaneous equipment, and the possible periodic purchase of its own common stock.

The Company's primary sources of cash are sales from the distribution division, royalties, license fees and Territory sales. Existing area development and master license agreements contain development commitments that should result in future chainwide growth. Related growth in distribution sales and royalties are expected to provide adequate working capital to supply the needs described above. The signing of any new area development or master license agreements, which cannot be predicted with certainty, would also provide significant infusions of cash.

MARKET RISK

The Company has market risk exposure arising from changes in interest rates. The Company's earnings are affected by changes in short-term interest rates as a result of borrowings under its credit facilities which bear interest based on floating rates.

At June 30, 2002 the Company had approximately $16.7 million of variable rate debt obligations outstanding with a weighted average interest rate of 4.02%. A hypothetical 10% change in the effective interest rate for these borrowings, assuming debt levels at June 30, 2002 would change interest expense by approximately $67,000.

The Company entered into an interest rate swap effective February 27, 2001, as amended, designated as a cash flow hedge, to manage interest rate risk relating to the financing of the construction of the Company's new headquarters and to fulfill bank requirements. The swap agreement has a notional principal amount of $8.125 million with a fixed pay rate of 5.84% which began November 1, 2001 and will end November 19, 2007. The swap's notional amount amortizes over a term of twenty years to parallel the terms of the term loan. Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" requires that for cash flow hedges, which hedge the exposure to variable cash flow of a forecasted transaction, the effective portion of the derivative's gain or loss be initially reported as a component of other comprehensive income in the equity section of the balance sheet and subsequently reclassified into earnings when the forecasted transaction affects earnings. Any ineffective portion of the derivative's gain or loss is reported in earnings immediately. At June 30, 2002 there was no hedge ineffectiveness. The Company's expectation is that the hedging relationship will be highly effective at achieving offsetting changes in cash flows.

ECONOMIC FACTORS

The costs of operations, including labor, supplies, utilities, financing and rental costs, to the Company and its franchisees, can be significantly affected by inflation and other economic factors. Increases in any such costs would result in higher costs to the Company and its franchisees, which may be partially offset by price increases and increased efficiencies in operations. The Company's revenues are also affected by local economic trends where units are concentrated. The Company intends to pursue franchise development in new markets in the United States and other countries, which would mitigate the impact of local economic factors.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following chart summarizes all of the Company's material obligations and commitments to make future payments under contracts such as debt and lease agreements as of June 30, 2002 (in thousands):

		Less Than 1	1-3	4-5	After 5
	Total .	Year	Years	Years	Years
Bank debt	$16,747	$1,656	$ 7,948	$ 406	$6,737
Operating lease obligations (1) . .	4,605	1,399	2,741	465	-
Capital lease obligations (2) . . .	365	229	123	13	-
Total contractual cash obligations.	$21,717	$3,284	$ 10,812	$ 884	$6,737

(1) Includes a lease dated March 21, 2002 the Company entered into for new tractors. Per the terms of the lease the obligations begin upon receipt of the tractors which is estimated to be October 2002. The above table reflects the obligations beginning at that time.

(2) Does not include amount representing interest.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis is based on the Company's consolidated financial statements and related footnotes contained within this report. The Company's more critical accounting policies used in the preparation of those consolidated financial statements are discussed below.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates made by management include the allowance for doubtful accounts, inventory valuation, deferred tax asset valuation allowances, and legal accruals. Actual results could differ from those estimates.

The Company's Norco division sells food, supplies and equipment to franchisees on trade accounts under terms common in the industry. Revenue from such sales is recognized upon shipment. Norco sales are reflected under the caption "food and supply sales." Shipping and handling costs billed to customers are recognized as revenue.

Franchise revenue consists of income from license fees, royalties, and Territory sales. License fees are recognized as income when there has been substantial performance of the agreement by both the franchisee and the Company, generally at the time the unit is opened. Royalties are recognized as income when earned.

Territory sales are the fees paid by selected experienced restaurant operators to the Company for the right to develop Pizza Inn restaurants in specific geographical territories. When the Company has no continuing substantive obligations of performance to the area developer or master licensee regarding the fee, the Company recognizes the fee to the extent of cash received. If continuing obligations exist, fees are recognized ratably during the performance of those obligations.

Inventories, which consist primarily of food, paper products, supplies and equipment located at the Company's distribution center, are stated at the lower of FIFO (first-in, first-out) cost or market. Provision is made for obsolete inventories and is based upon management's assessment of the market conditions for its products.

Accounts receivable consist primarily of receivables from food and supply sales and franchise royalties. The Company records a provision for doubtful receivables to allow for any amounts which may be unrecoverable and is based upon an analysis of the Company's prior collection experience, customer creditworthiness, and current economic trends.

Notes receivable primarily consist of notes from franchisees for the purchase of area development and master license territories and trade receivables. These notes generally have terms ranging from one to five years and interest rates of 8% to 12%. The Company records a provision for doubtful receivables to allow for any amounts which may be unrecoverable and is based upon an analysis of the Company's prior collection experience, customer creditworthiness, and current economic trends.

The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets that may not be realized based upon the Company's analysis of existing tax credits by jurisdiction and expectations of the Company's ability to utilize these tax attributes through a review of estimated future taxable income and establishment of tax strategies. These estimates could be impacted by changes in future taxable income and the results of tax strategies.

TRANSACTIONS WITH RELATED PARTIES

One of the individuals nominated by the Company and elected to serve on its Board of Directors is a franchisee. This franchisee currently operates a total of 12 restaurants located in Arkansas. Purchases by this franchisee comprised 6% of the Company's total food and supply sales in fiscal 2002. Royalties and license fees and area development sales from this franchisee comprised 3% of the Company's total franchise revenues in fiscal 2002. As franchised units, his restaurants pay royalties to the Company and purchase a majority of their food and supplies from the Company's distribution division. As of June 30, 2002, his accounts and note payable to the Company were $685,669.

The Company believes the above transactions were at the same prices and on the same terms available to non-related third parties.

In October 1999, the Company loaned $1,949,698 to C. Jeffery Rogers in the form of promissory note due in June 2004 to acquire 700,000 shares of the Company's common stock through the exercise of vested stock options previously granted to him in 1995 by the Company. The note bears interest at the same floating interest rate the Company pays on its revolving credit line with Wells Fargo and is collateralized by a second lien in certain real property and existing Company stock owned by C. Jeffery Rogers. The note is reflected as a reduction to stockholders' equity.

In October 1999, the Company loaned $557,056 to Ronald W. Parker in the form of promissory note due in June 2004 to acquire 200,000 shares of the Company's common stock through the exercise of vested stock options previously granted to him in 1995 by the Company. The note bears interest at the same floating interest rate the Company pays on its revolving credit line with Wells Fargo and is collateralized by certain real property and existing Company stock owned by Ronald W. Parker. The note is reflected as a reduction to stockholders' equity.

In July 2000, the Company loaned $302,581 to Ronald W. Parker in the form of a promissory note due in June 2004 to acquire 200,000 shares of the Company's common stock through the exercise of vested stock options previously granted in 1995 by the Company. In October 2000, a $164,647 principal payment was made on the note. The note bears interest at the same floating interest rate the Company pays on its revolving credit line with Wells Fargo and is collateralized by certain real property and existing Company stock owned by Ronald W. Parker. The note is reflected as a reduction to stockholders' equity.

The Board of Directors of the Company, based upon a review of certain financial information provided by C. Jeffery Rogers, determined that the collection of a promissory note previously signed with C. Jeffery Rogers, of approximately $1.9 million is doubtful at June 30, 2002. The Company recorded the charge in the fourth quarter of fiscal 2002 to fully reserve for the possible nonpayment. The Company intends, to the extent legally permissible, to enforce this obligation under the relevant terms of the Promissory Note and the Pledge Agreement.

EQUITY COMPENSATION PLAN INFORMATION

A summary of equity compensation under all of the Company's stock option plans follows:

Plan.	Number of Securities to be issued upon exercise of outstanding options,	Weighted-average exercise price of outstanding options,	Number of Securities remaining available for future issuance under

Category.	warrants, and rights	warrants, and rights	equity compensation plans
Equity Compensation plans approved by . . security holders	1,591,233	$ 3.76	677,384
Equity compensation plans not approved by security holders	-	-	-
Total	1,591,233	$ 3.76	677,384

FORWARD-LOOKING STATEMENT

This report contains certain forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) relating to the Company that are based on the beliefs of the management of the Company, as well as assumptions and estimates made by and information currently available to the Company's management. When used in the report, the words "anticipate," "believe," "estimate," "expect," "intend" and other similar expressions, as they relate to the Company or the Company's management, identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions relating to the operations and results of operations of the Company as well as its customers and suppliers, including as a result of competitive factors and pricing pressures, shifts in market demand, general economic conditions and other factors including but not limited to, changes in demand for Pizza Inn products or franchises, the impact of competitors' actions, changes in prices or supplies of food ingredients, and restrictions on international trade and business. Should one or more of these risks or uncertainties materialize, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

PIZZA INN, INC.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Consolidated Statements of Comprehensive Income for the years ended June 30, 2002, June 24, 2001, and June 25, 2000 17

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All other schedules are omitted because they are not applicable, not required or because the required information is included in the consolidated financial statements or notes thereto.

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SECTION 906 CERTIFICATION OF THE CEO
SECTION 906 CERTIFICATION OF THE PRINCIPAL ACCOUNTING OFFICER

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
and Shareholders of Pizza Inn, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Pizza Inn, Inc. and its subsidiaries at June 30, 2002 and June 24, 2001, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP
Dallas, Texas
September 27, 2002

PIZZA INN, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

		YEAR ENDED	
	JUNE 30, 2002	JUNE 24, 2001	JUNE 25, 2000
REVENUES:			
Food and supply sales.	$ 57,727	$ 57,020	$ 59,130
Franchise revenue.	5,528	5,373	5,698
Restaurant sales	2,134	2,346	2,352
Other income	1,253	529	460
	66,642	65,268	67,640
COSTS AND EXPENSES:			
Cost of sales.	54,146	53,783	55,910
Franchise expenses	2,865	2,648	2,684
General and administrative expenses.	4,709	3,870	3,682
Provision for bad debt (see Note J).	2,367	210	225
Interest expense (net of capitalized interest of $178, $102, and $0, respectively).	832	836	750
	64,919	61,347	63,251
INCOME BEFORE INCOME TAXES	1,723	3,921	4,389
Provision for income taxes	586	1,441	1,505
NET INCOME	1,137	2,480	2,884
BASIC EARNINGS PER COMMON SHARE.	0.11	0.23	0.25
DILUTED EARNINGS PER COMMON SHARE.	0.11	0.23	0.25
DIVIDENDS DECLARED PER COMMON SHARE.	-	0.12	0.24
WEIGHTED AVERAGE COMMON SHARES	10,092	10,635	11,316
WEIGHTED AVERAGE COMMON AND POTENTIALLY DILUTIVE COMMON SHARES	10,095	10,639	11,441

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)

	YEAR ENDED		
	JUNE 30, ... 2002	JUNE 24, 2001	JUNE 25, 2000
Net Income	$ 1,137	$ 2,480	$ 2,884
Interest rate swap loss (net of tax of $129, $38, and $0, respectively).	(251)	(73)	-
Comprehensive Income	$ 886	$ 2,407	$ 2,884

See accompanying Notes to Consolidated Financial Statements.

PIZZA INN, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

ASSETS	JUNE 30, 2002	JUNE 24, 2001
CURRENT ASSETS		
Cash and cash equivalents	$ 770	$ 540
Accounts receivable, less allowance for doubtful accounts of $829 and $729, respectively	3,867	4,839
Notes receivable, current portion, less allowance for doubtful accounts of $354 and $263, respectively.	332	958
Inventories	1,526	2,063
Deferred taxes, net	1,297	1,285
Prepaid expenses and other.	905	578
Total current assets.	8,697	10,263
Property, plant and equipment, net.	13,567	6,594
Property under capital leases, net.	337	576
Deferred taxes, net	1,347	1,897
Long-term notes receivable, less allowance for doubtful accounts of $20 and $9, respectively . . .	191	9
Deposits and other.	475	533
	$ 24,614	$ 19,872
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade.	$ 1,527	$ 3,245
Accrued expenses.	2,529	2,000
Current portion of long-term debt	1,656	1,250
Current portion of capital lease obligations.	229	486
Total current liabilities	5,941	6,981
LONG-TERM LIABILITIES		
Long-term debt.	15,091	10,934
Long-term capital lease obligations	136	227
Other long-term liabilities	517	865
	21,685	19,007
COMMITMENTS AND CONTINGENCIES (See Note I)		
SHAREHOLDERS' EQUITY		
Common Stock, $.01 par value; authorized 26,000,000 shares; issued 14,955,819 and 14,955,119 shares, respectively; outstanding 10,058,174 and 10,319,638 shares, respectively. . .	150	150
Additional paid-in capital.	7,824	7,823
Loans to officers, less allowance for doubtful accounts of $1,750 and $0, respectively	(575)	(2,325)
Retained earnings	15,338	14,201
Accumulated other comprehensive loss.	(324)	(73)
Treasury stock at cost Shares in treasury: 4,897,645 and 4,635,481, respectively . . .	(19,484)	(18,911)
Total shareholders' equity.	2,929	865
	$ 24,614	$ 19,872

See accompanying Notes to Consolidated Financial Statements.

PIZZA INN, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS)

	COMMON STOCK		ADDITIONAL PAID-IN	LOANS TO	RETAINED	ACCUM. OTHER COMP.	TREASURY STOCK	
	SHARES	AMOUNT	CAPITAL	OFFICERS	EARNINGS	LOSS	AT COST	TOTAL
BALANCE, JUNE 27, 1999. . . .	11,408	$ 149	$ 7,321	$ -	$ 14,375	$ -	$(15,786)	$ 6,059
Stock options exercised	47	1	83	-	(1)	-	61	144
Loans to officers for exercise of stock options	900	-	-	(2,250)	(1,296)	-	3,546	-
Tax benefits associated with stock options.	-	-	303	-	-	-	-	303
Employee incentive options. . .	-	-	1	-	-	-	-	1
Dividends paid.	-	-	-	-	(2,799)	-	-	(2,799)
Acquisition of treasury stock (see Note K) . . .	(1,710)	-	-	-	-	-	(6,103)	(6,103)
Net income.	-	-	-	-	2,884	-	-	2,884
BALANCE, JUNE 25, 2000.	10,645	$ 150	$ 7,708	$ (2,250)	$ 13,163	$ -	$(18,282)	$ 489
Stock options exercised	215	-	37	-	(199)	-	700	538
Loans to officers for exercise of stock options	-	-	-	(240)	-	-	-	(240)
Principal repayment of loans by officers	-	-	-	165	-	-	-	165
Tax benefits associated with stock options	-	-	77	-	-	-	-	77
Employee incentive options	1	-	1	-	-	-	-	1
Dividends paid	-	-	-	-	(1,243)	-	-	(1,243)
Acquisition of treasury stock (see Note K)	(541)	-	-	-	-	-	(1,329)	(1,329)
Interest rate swap loss (net of tax of $38)	-	-	-	-	-	(73)	-	- (73)
Net income	-	-	-	-	2,480	-	-	2,480
BALANCE, JUNE 24, 2001	10,320	$ 150	$ 7,823	$ (2,325)	$ 14,201	$ (73)	$ (18,911)	$ 865
Employee incentive options	-	-	1	-	-	-	-	1
Acquisition of treasury stock (see Note K)	(262)	-	-	-	-	-	(573)	(573)
Allowance for doubtful accounts	-	-	-	1,750	-	-	-	1,750
Interest rate swap loss (net of tax of $129)	-	-	-	-	-	(251)	-	(251)
Net income	-	-	-	-	1,137	-	-	1,137
BALANCE, JUNE 30, 2002	10,058	$ 150	$ 7,824	$ (575)	$ 15,338$	$ (324)	$(19,484)	$ 2,929

See accompanying Notes to Consolidated Financial Statements.

PIZZA INN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED		
	JUNE 30, 2002	JUNE 24, 2001	JUNE 25, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 1,137	$ 2,480	$ 2,884
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization.	1,337	1,343	1,210
Provision for bad debt	2,367	210	225
Deferred income taxes.	538	1,247	1,127
Changes in assets and liabilities:			
Notes and accounts receivable.	799	(263)	(196)
Inventories.	537	847	(517)
Accounts payable - trade	(825)	102	(390)
Accrued expenses	240	102	111
Deferred franchise revenue	38	(10)	(109)
Prepaid expenses and other	(608)	362	233

CASH PROVIDED BY OPERATING ACTIVITIES.	5,560	6,420	4,578
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(8,952)	(4,713)	(754)
Proceeds from sale of assets	24	-	-
CASH USED FOR INVESTING ACTIVITIES	(8,928)	(4,713)	(754)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of long-term bank debt and capital lease obligations, net	(3,738)	(4,184)	(5,391)
Borrowings of long-term debt	7,909	4,642	10,300
Dividends paid	-	(1,243)	(2,799)
Proceeds from exercise of stock options.	-	298	144
Officer loan payment	-	165	-
Purchases of treasury stock.	(573)	(1,329)	(6,103)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	3,598	(1,651)	(3,849)
Net increase (decrease) in cash and cash equivalents .	230	56	(25)
Cash and cash equivalents, beginning of period	540	484	509
Cash and cash equivalents, end of period	770	540	484

See accompanying Notes to Consolidated Financial Statements.

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION
(IN THOUSANDS)

	YEAR ENDED		
	JUNE 30, 2002	JUNE 24, 2001	JUNE 25, 2000
CASH PAYMENTS FOR:			
Interest	$ 992	$ 876	$ 582
Income taxes	53	65	75
NONCASH FINANCING AND INVESTING ACTIVITIES:			
Capital lease obligations incurred	$ 156	$ -	$ 158
Stock issued to officers in exchange for loans	-	303	2,507

PIZZA INN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF BUSINESS:

Pizza Inn, Inc. (the "Company"), a Missouri corporation incorporated in 1983, is the successor to a Texas company of the same name which was incorporated in 1961. The Company is the franchisor and food and supply distributor to a system of restaurants operating under the trade name "Pizza Inn" .

On June 30, 2002 the Pizza Inn system consisted of 429 locations, including three Company-operated units (one of which is temporarily closed) and 426 franchised units. On June 30, 2002 the Company had franchises in 20 states and 11 foreign countries. Domestic units are located predominantly in the southern half of the United States, with Texas, North Carolina and Mississippi accounting for approximately 32%, 16%, and 8%, respectively, of the total. Norco Restaurant Services ("Norco"), a division of the Company, distributes food products, equipment, and other supplies to units in the United States and, to the extent feasible, in other countries.

PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All appropriate intercompany balances and transactions have been eliminated. Certain prior year amounts have been reclassified to conform with current year presentation.

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.

INVENTORIES:

Inventories, which consist primarily of food, paper products, supplies and equipment located at the Company's distribution center, are stated at the lower of FIFO (first-in, first-out) cost or market. Provision is made for obsolete inventories.

PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment, including property under capital leases, are stated at cost less accumulated depreciation and amortization. Repairs and maintenance are charged to operations as incurred; major renewals and betterments are capitalized. Internal and external costs incurred to develop or purchase internal-use computer software during the application development stage, including upgrades and enhancements, are capitalized. Upon the sale or disposition of a fixed asset, the asset and the related accumulation depreciation or amortization are removed from the accounts and the gain or loss is included in operations. The Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying asset and amortized over the useful life of the asset. As of June 30, 2002, interest of $280,000 has been capitalized in connection with the construction of the Company's new headquarters, training center, and distribution facility.

Depreciation and amortization is computed on the straight-line method over the useful lives of the assets or, in the case of leasehold improvements, over the term of the lease, if shorter. The useful lives of the assets range from three to thirty- nine years. It is the Company's policy to periodically review the net realizable value of its long-lived assets when certain indicators exist through an assessment of the estimated gross future cash flows related to such assets. In the event that assets are found to be carried at amounts which are in excess of estimated gross future cash flows, then the assets will be adjusted for impairment to a level commensurate with a discounted cash flow analysis of the underlying assets. The Company believes no impairment of long-lived assets exists at June 30, 2002.

ACCOUNTS RECEIVABLE:

Accounts receivable consist primarily of receivables from food and supply sales and franchise royalties. The Company records a provision for doubtful receivables to allow for any amounts which may be unrecoverable and is based upon an analysis of the Company's prior collection experience, customer creditworthiness, and current economic trends.

NOTES RECEIVABLE:

Notes receivable primarily consist of notes from franchisees for the purchase of area development and master license territories and the refinancing of existing trade receivables. These notes generally have terms ranging from one to five years, with interest rates of 8% to 12%. The Company records a provision for doubtful receivables to allow for any amounts which may be unrecoverable and is based upon an analysis of the Company's prior collection experience, customer creditworthiness, and current economic trends.

INCOME TAXES:

Income taxes are accounted for using the asset and liability method pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). Deferred taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement and carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the enactment date. In addition, the Company recognizes future tax benefits to the extent that realization of such benefits are more likely than not.

DISTRIBUTION DIVISION OPERATIONS:

The Company's Norco division sells food, supplies and equipment to franchisees on trade accounts under terms common in the industry. Revenue from such sales is recognized upon shipment. Norco sales are reflected under the caption "food and supply sales." Shipping and handling costs billed to customers are recognized as revenue.

FRANCHISE REVENUE:

Franchise revenue consists of income from license fees, royalties, and area development and foreign master license (collectively, "Territory") sales. License fees are recognized as income when there has been substantial performance of the agreement by both the franchisee and the Company, generally at the time the unit is opened. Royalties are recognized as income when earned. For the years ended June 30, 2002, June 24, 2001 and June 25, 2000, 93%, 96% and 96%, respectively, of franchise revenue was comprised of recurring royalties.

Territory sales are the fees paid by selected experienced restaurant operators to the Company for the right to develop Pizza Inn restaurants in specific geographical territories. When the Company has no continuing substantive obligations of performance to the area developer or master licensee regarding the fee, the Company recognizes the fee to the extent of cash received. If continuing obligations exist, fees are recognized ratably during the performance of those obligations. Territory fees recognized as income for the years ended June 30, 2002, June 24, 2001 and June 25, 2000 were $131,000, $0 and $0, respectively.

DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amounts of short-term investments, accounts and notes receivable, and debt approximate fair value. The fair value of the Company's interest rate swap is based on pricing models using current market rates.

USE OF MANAGEMENT ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and related revenues and expenses and disclosure of gain and loss contingencies at the date of the financial statements. Actual results could differ from those estimates.

FISCAL YEAR:

The Company's fiscal year ends on the last Sunday in June. Fiscal year ending June 30, 2002, contained 53 weeks, June 24, 2001 and June 25, 2000 both contained 52 weeks.

NEW PRONOUNCEMENTS:

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment of Long-lived Assets" which supersedes SFAS No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed of" and the accounting and reporting provisions of APB No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and transactions" for the disposal of a segment of a business. SFAS No. 144 retains many of the provisions of SFAS No. 121, but addresses certain implementation issues associated with that Statement. We will adopt SFAS No. 144 beginning in fiscal year 2003. The Company anticipates adoption will be immaterial on the financial statements.

NOTE B - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment and property under capital leases consist of the following (in thousands):

	USEFUL LIVES . . .	JUNE 30, 2002	JUNE 24, 2001
Property, plant and equipment:			
Equipment, furniture and fixtures	3 - 7 yrs	$ 5,192	$ 4,932
Building.	5 - 39 yrs	10,557	-
Land.	-	1,945	1,984
Construction in progress.	-	-	3,279
Leasehold improvements.	7 yrs	1,646	1,595
		19,340	11,790
Less: accumulated depreciation .		(5,773)	(5,196)
		$ 13,567	6,594
Property under capital leases:			
Real Estate	20 yrs	$ 118	$ 118
Equipment	3 - 7 yrs	1,635	2,120
		1,753	2,238
Less: accumulated amortization .		(1,416)	(1,662)
		337	576

Depreciation and amortization expense was $1,337,000, $1,343,000, and $1,210,000 for the years ended June 30, 2002, June 24, 2001, and June 25, 2000, respectively.

NOTE C - ACCRUED EXPENSES:

Accrued expenses consist of the following (in thousands):

	JUNE 30, 2002	JUNE 24, 2001
Compensation.	$ 968	$ 889
Taxes	405	252
Legal and other professional fees	346	197
Accrued rent.	304	-

Other	506	662
	2,529	2,000

NOTE D - LONG-TERM DEBT:

In August 1997, the Company signed an agreement (the "Loan Agreement") with its current lender, Wells Fargo, to refinance its debt under a new revolving credit facility. The revolving credit note is collateralized by essentially all of the Company's assets. The Loan Agreement contains covenants which, among other things, require the Company to satisfy certain financial ratios and restrict additional debt.

The Company entered into an agreement effective December 21, 2001 with its current lender to extend the term of its existing $9.5 million revolving credit line through December 31, 2003, and to modify certain financial covenants. Interest on the revolving credit line is payable monthly. Interest is provided for at a rate equal to prime less an interest rate margin from 1.0% to 0.0% or, at the Company's option, at the LIBOR rate plus 1.25% to 2.25%. The interest rate margin is based on the Company's performance under certain financial ratio tests. A 0.375% to 0.5% annual commitment fee is payable on any unused portion of the revolving credit line. For the years ending June 30, 2002 and June 24, 2001, the Company's interest rates were 3.59% and 5.25%, respectively, using a LIBOR rate basis. Amounts outstanding under the revolving credit line for fiscal years 2002 and 2001 were $6.5 million and $7.7 million, respectively.

The Company entered into an agreement effective June 30, 2002 with its current lender to modify certain debt covenants. The Company was in compliance with all of its debt covenants as of June 30, 2002.

The Company entered into a term note effective March 31, 2000 with its current lender. The $5,000,000 term note had outstanding balances of $2.3 million and $3.5 million at June 30, 2002 and June 24, 2001, respectively, and requires monthly principal payments of $104,000 with the balance maturing on March 31, 2004. Interest on the term loan is also payable monthly. Interest is provided for at a rate equal to prime less an interest rate margin of 0.75% or, at the Company's option, at the LIBOR rate plus 1.5%. For the years ending June 30, 2002 and June 24, 2001, the Company's interest rates were 3.38% and 5.69%, respectively.

The Company entered into an agreement effective December 28, 2000, as amended, with its current lender to provide up to $8.125 million of financing for the construction of the Company's new headquarters, training center and distribution facility. The construction loan converted to a term loan effective January 31, 2002 with the unpaid principal balance to mature on December 28, 2007. This term loan will amortize over a term of twenty years, with principal payments of $34,000 due monthly. Interest on this term loan is also payable monthly. Interest is provided for at a rate equal to prime less an interest rate margin of 0.75% or, at the Company's option, to the LIBOR rate plus 1.5%. For the years ending June 30, 2002 and June 24, 2001, the Company's interest rates were 3.34% and 6.50%, respectively. The Company, to fulfill bank requirements, has caused the outstanding principal amount to be subject to a fixed interest rate by utilizing an interest rate swap agreement as discussed below. The $8.125 million term loan had an outstanding balance of $8.0 million at June 30, 2002 and $916,000 at June 24, 2001.

The Company entered into an interest rate swap effective February 27, 2001, as amended, designated as a cash flow hedge, to manage interest rate risk relating to the financing of the construction of the Company's new headquarters and to fulfill bank requirements. The swap agreement has a notional principal amount of $8.125 million with a fixed pay rate of 5.84% which began November 1, 2001 and will end November 19, 2007. The swap's notional amount amortizes over a term of twenty years to parallel the terms of the term loan. SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" requires that for cash flow hedges, which hedge the exposure to variable cash flow of a forecasted transaction, the effective portion of the derivative's gain or loss be initially reported as a component of other comprehensive income in the equity section of the balance sheet and subsequently reclassified into earnings when the forecasted transaction affects earnings. Any ineffective portion of the derivative's gain or loss is reported in earnings immediately. At June 30, 2002 there was no hedge ineffectiveness. The Company's expectation is that the hedging relationship will continue to be highly effective at achieving offsetting changes in cash flows.

PIBCO, Ltd., a wholly-owned insurance subsidiary of the Company, in the normal course of operations, arranged for the issuance of a letter of credit for $230,000 to reinsurers to secure loss reserves. At June 30, 2002 and June 24, 2001 this letter of credit was secured under the Company's revolving line of credit. Loss reserves for approximately the same amount have been recorded by PIBCO, Ltd. and are reflected as current liabilities in the Company's financial statements.

NOTE E - INCOME TAXES:

Income tax expense consists of the following (in thousands):

	JUNE 30, 2002	JUNE 24, 2001	JUNE 25, 2000
Federal:			
Current.	$ (81)	$ 156	$ 378
Deferred	667	1,285	1,127
Provision for income taxes	586	1,441	1,505

The effective federal income tax rate varied from the statutory rate for the years ended June 30, 2002, and June 24, 2001 and June 25, 2000 as reflected below.

(in thousands)	JUNE 30, 2002	JUNE 24, 2001	JUNE 25, 2000
Federal income taxes based on 34% of book income.	$ 586	$ 1,333	$ 1,492
Permanent adjustments	(187)	70	(46)
Change in valuation allowance . .	187	16	(182)
Expired credits	-	22	241
	586	1,441	1,505

The tax effects of temporary differences which give rise to the net deferred tax assets (liabilities) consisted of the following (in thousands):

	JUNE 30, 2002	JUNE 24, 2001
Reserve for bad debt.	$ 381	$ 381
Reserve for bad debt - officers	663	-
Depreciable assets.	671	678
Deferred fees	65	79
Other reserves.	29	46
NOL carryforwards	-	954
Interest rate swap loss	167	38
Credit carryforwards.	893	1,044
Gross deferred tax asset. . . .	$ 2,869	$ 3,220
Valuation allowance	(225)	(38)
Net deferred tax asset.	2,644	3,182

As of June 30, 2002, the Company had $213,000 of foreign tax credit carryforwards expiring between 2004 and 2007 and $680,000 of minimum tax credits that can be carried forward indefinitely. The valuation allowance was established under SFAS 109, since it is more likely than not that a portion of the foreign tax credit carryforwards will expire before they can be utilized.

NOTE F - LEASES:

The real property occupied by the Company-operated restaurants is leased for initial terms ranging from five to twenty-five years with renewal options ranging from three to fifteen years. Some of the lease agreements contain either provisions requiring additional rent if sales exceed specified amounts, or escalation clauses based on changes in the Consumer Price Index.

The Company continues to lease 20,677 square feet in Dallas, Texas that it previously occupied as its corporate office. The lease expires in April 2003 but the Company is actively marketing the premises for a subtenant. Full provision of all remaining rent expense at the Company's former corporate headquarters of approximately $304,000 was recorded in the current year due to the continued depressed leasing markets.

The Company's distribution division currently leases a significant portion of its transportation equipment under operating and capital leases with terms from five to seven years. Some of the leases include fair market value purchase options at the end of the term.

Future minimum rental payments under non-cancelable leases with initial or remaining terms of one year or more at June 30, 2002 are as follows (in thousands):

	CAPITAL LEASES	OPERATING LEASES
2003	$ 250	1,399
2004	108	1,068
2005	12	921
2006	12	752
2007	12	371
Thereafter	1	94
	395. .	$ 4,605
Less amount representing interest	(30)	
Present value of total obligations under capital leases	365	
Less current portion	(229)	
Long-term capital lease obligations	$ 136	

Rental expense consisted of the following (in thousands):

	YEAR ENDED JUNE 30, 2002	YEAR ENDED JUNE 24, 2001	YEAR ENDED JUNE 25, 2000
Minimum rentals	$ 1,773	$ 1,566	$ 1,438
Contingent rentals	21	19	15
Sublease rentals	(99)	(102)	(96)
	$ 1,695	$ 1,483	$ 1,357

NOTE G - EMPLOYEE BENEFITS:

The Company has a tax advantaged savings plan which is designed to meet the requirements of Section 401(k) of the Internal Revenue Code (the "Code"). The current plan is a modified continuation of a similar savings plan established by the Company in 1985. Employees who have completed six months of service and are at least 21 years of age are eligible to participate in the plan. Effective January 1, 2002, as amended by the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), the plan provides that participating employees may elect to have between 1% - 100% of their compensation deferred and contributed to the plan subject to certain IRS limitations. From January 1, 1999 through July 31, 2000, the Company contributed on behalf of each participating employee an amount equal to 100% of the first 3% and 50% of the next 3% of the employee's contribution. From August 1, 2000 through December 31, 2000, the Company contributed on behalf of each participating employee an amount equal to 50% of up to 6% of the employee's contribution. Effective January 1, 2001, the Company contributes on behalf of each participating employee an amount equal to 50% of up to 4% of the employee's contribution. Separate accounts are maintained with respect to contributions made on behalf of each participating employee. Employer matching contributions and earnings thereon are invested in Common Stock of the Company. The plan is subject to the provisions of the Employee Retirement Income Security Act, as amended, and is a profit sharing plan as defined in Section 401 of the Code. The Company is the administrator of the plan.

For the years ended June 30, 2002, June 24, 2001, and June 25, 2000, total matching contributions to the tax advantaged savings plan by the Company on behalf of participating employees were $88,770, $77,000, and $185,591, respectively.

NOTE H - STOCK OPTIONS:

On September 1, 1992, the Company adopted the 1992 Stock Award Plan (the "1992 Plan"). All officers, employees and elected outside directors are eligible to participate. The Company's 1992 Plan is a combined nonqualified stock option and stock appreciation rights arrangement. A total of two million shares of

Pizza Inn, Inc. Common Stock were originally authorized to be awarded under the 1992 Plan. A total of 973,073 options were actually granted under the 1992 Plan through December 1993. In January 1994, the 1993 Stock Award Plan ("the 1993 Plan") was approved by the Company's shareholders with a plan effective date of October 13, 1993. Officers and employees of the Company are eligible to receive stock options under the 1993 Plan. Options are granted at market value of the stock on the date of grant, are subject to various vesting periods ranging from six months to three years with exercise periods up to eight years, and may be designated as incentive options (permitting the participant to defer resulting federal income taxes). Originally, a total of two million shares of Common Stock were authorized to be issued under the 1993 Plan. In December 1996, 1997 and 1998, the Company's shareholders approved amendments to the 1993 plan increasing by 500,000 shares, in each year, the aggregate number of shares of common stock issuable under the plan. In December, 2000, the Company's Shareholders approved amendments to the 1993 plan increasing by 100,000 shares the aggregate number of shares of common stock issuable under the plan.

The 1993 Outside Directors Stock Award Plan (the "1993 Directors Plan") was also adopted by the Company effective as of October 13, 1993. Elected Directors who are not employed by the Company are eligible to receive stock options under the 1993 Directors Plan. Options for common stock equal to twice the number of shares of common stock acquired during the previous fiscal year are granted, up to 20,000 shares per year, to each outside director. Options are granted at market value of the stock on the first day of the fiscal year, which is also the date of grant, and various vesting periods ranging from one to four years with exercise periods up to nine years. A total of 200,000 shares of Company Common Stock are authorized to be issued pursuant to the 1993 Directors Plan.

A summary of stock option transactions under all of the Company's stock option plans and information about fixed-price stock options follows:

SUMMARY OF STOCK OPTION TRANSACTIONS

	June 30, 2002		June 24, 2001		June 25, 2000	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	2,210,033	$ 3.82	2,123,306	$ 3.91	3,247,972	$ 3.50
Granted.	4,000	$ 2.12	464,160	$ 2.83	94,000	$ 3.57
Exercised.	-	$ 0.00	(215,000)	$ 2.50	(947,913)	$ 2.53
Canceled/Expired	(622,800)	$ 3.96	(162,433)	$ 3.82	(270,753)	$ 4.38
Outstanding at end of year . . .	1,591,233	$ 3.76	2,210,033	$ 3.82	2,123,306	$ 3.91
Exercisable at end of year . . .	1,358,233	$ 4.02	1,696,873	$ 4.07	1,872,616	$ 3.88
Weighted-average fair value of options granted during the year.		$ 0.68		$ 0.93		$ 0.75

FIXED PRICE STOCK OPTIONS

The following table provides information on options outstanding and options exercisable at June 30, 2002:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares Outstanding at June 30, 2002	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Shares Exercisable at June 30, 2002	Weighted-Average Exercise Price
2.00 - 3.25 . .	230,800	4.77	$ 2.20	39,800	$ 3.12
3.33 - 4.25 . .	884,443	2.11	$ 3.52	842,443	$ 3.52
4.38 - 5.50 . .	475,990	1.90	$ 4.97	475,990	$ 4.97
2.00 - 5.50 . .	1,591,233	2.43	$ 3.76	1,358,233	$ 4.02

Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," encourages but does not require a fair value based method of accounting for employee stock options or similar equity instruments. SFAS No. 123 allows an entity to elect to continue to measure compensation costs under Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock

Issued to Employees," but requires pro forma disclosure of net earnings as if the fair value based method of accounting had been applied.

The Company elected to follow APB No. 25, and related Interpretations in accounting for employee stock options because the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock Based Compensation," requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB No. 25, because the exercise price of our employee stock options equals or exceeds the fair value of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and earnings per share is required to be determined as if the Company had accounted for its stock options granted subsequent to June 25, 1995 under the fair value method of SFAS 123, "Accounting for Stock-Based Compensation". The fair value of options granted in fiscal 2000, 2001 and 2002 was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rates ranging from 4.2% to 6.6%, expected volatility of 39.4% to 50.8%, expected dividend yield of 0% to 8.9% and expected lives of 2 to 6 years.

For purposes of pro forma disclosures, the estimated fair value of the stock options is amortized over the option vesting periods. The Company's pro forma information follows (in thousands, except for earnings per share information):

	June 30, 2002		June 24, 2001		June 25, 2000	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income	$ 1,137	$ 1,079	$ 2,480	$ 2,288	$ 2,884	$ 2,872
Basic earnings per share .	$ 0.11	$ 0.11	$ 0.23	$ 0.22	$ 0.25	$ 0.25
Diluted earnings per share	$ 0.11	$ 0.11	$ 0.23	$ 0.22	$ 0.25	$ 0.25

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts as the pro forma amounts above do not include the impact of additional awards anticipated in future years.

NOTE I - COMMITMENTS AND CONTINGENCIES:

The Company is subject to various claims and contingencies related to employment agreements, lawsuits, taxes, food product purchase contracts and other matters arising out of the normal course of business. Management believes that any liabilities arising from these claims and contingencies are either covered by insurance or would not have a material adverse effect on the Company's annual results of operations or financial condition.

On January 18, 2002, the Company was served with a lawsuit filed by Blakely-Witt & Associates, Inc. alleging Pizza Inn sent or caused to be sent unsolicited facsimile advertisements. The plaintiff has requested this matter be certified as a class action. We plan to vigorously defend our position in this litigation. We cannot assure you that we will prevail in this lawsuit and our defense could be costly and consume the time of our management. We are unable to predict the outcome of this case. However, an adverse resolution of this matter could materially affect our financial position and results of operations.

On April 30, 1998, Mid-South Pizza Development, Inc., an area developer of the Company ("Mid-South") entered into a promissory note whereby, among other things, Mid-South borrowed $1,330,000 from a third party lender (the "Loan"). The proceeds of the Loan, less transaction costs, were used by Mid-South to purchase area developer rights from the Company for certain counties in Kentucky and Tennessee. As of June 30, 2002 the outstanding principal balance of this loan was approximately $849,000. As part of the terms and conditions of the Loan, the Company was required to guaranty the obligations of Mid-South under the Loan. In the event such guaranty ever required payment, the Company has personal guarantees from certain Mid-South principals and a security interest in certain personal property. In the event the personal guarantees and security interest pledged do not sufficiently fulfill the obligation, the Company would assume the obligation. As of this date, the obligation could be fully offset by the assumption of the area development rights which are currently pledged to Mid-South's third party lender.

NOTE J - RELATED PARTIES:

One of the individuals nominated by the Company and elected to serve on its Board of Directors is a franchisee. This franchisee currently operates a total of 12 restaurants located in Arkansas. Purchases by this franchisee comprised 6% of the Company's total food and supply sales in fiscal 2002. Royalties and license fees and area development sales from this franchisee comprised 3% of the Company's total franchise revenues in fiscal 2002. As franchised units, his restaurants pay royalties to the Company and purchase a majority of their food and supplies from the Company's distribution division. As of June 30, 2002, his accounts and note payable to the Company were $685,669.

The Company believes the above transactions were at the same prices and on the same terms available to non-related third parties.

In October 1999, the Company loaned $1,949,698 to C. Jeffery Rogers in the form of promissory note due in June 2004 to acquire 700,000 shares of the Company's common stock through the exercise of vested stock options previously granted to him in 1995 by the Company. The note bears interest at the same floating interest rate the Company pays on its revolving credit line with Wells Fargo and is collateralized by a second lien in certain real property and existing Company stock owned by C. Jeffery Rogers. The note is reflected as a reduction to stockholders' equity.

In October 1999, the Company loaned $557,056 to Ronald W. Parker in the form of promissory note due in June 2004 to acquire 200,000 shares of the Company's common stock through the exercise of vested stock options previously granted to him in 1995 by the Company. The note bears interest at the same floating interest rate the Company pays on its revolving credit line with Wells Fargo and is collateralized by certain real property and existing Company stock owned by Ronald W. Parker. The note is reflected as a reduction to stockholders' equity.

In July 2000, the Company loaned $302,581 to Ronald W. Parker in the form of a promissory note due in June 2004 to acquire 200,000 shares of the Company's common stock through the exercise of vested stock options previously granted in 1995 by the Company. In October 2000, a $164,647 principal payment was made on the note. The note bears interest at the same floating interest rate the Company pays on its revolving credit line with Wells Fargo and is collateralized by certain real property and existing Company stock owned by Ronald W. Parker. The note is reflected as a reduction to stockholders' equity.

In June 2002, the Board of Directors of the Company, based upon a review of certain financial information provided by an C. Jeffery Rogers, determined that the collection of the promissory note previously loaned to C. Jeffery Rogers, of approximately $1.9 million is doubtful. The Company recorded the charge in the fourth quarter of fiscal 2002 to fully reserve for the possible nonpayment. The Company intends, to the extent legally permissible, to enforce this obligation under the relevant terms of the Promissory Note and the Pledge Agreement.

NOTE K - TREASURY STOCK:

For the period of September 1995 through June 2002, the Company purchased 5,244,161 shares of its own Common Stock from time to time on the open market at a total cost of $21.4 million. In April 1999, the Company received a gift of 4,945 shares from a vendor which was recorded at current market value in the amount of $15,000. The purchases of common shares described above were funded from working capital, and reduced the Company's outstanding shares by approximately 34%.

NOTE L - EARNINGS PER SHARE:

The Company computes and presents earnings per share ("EPS") in accordance with SFAS 128, "Earnings Per Share". Basic EPS excludes the effect of potentially dilutive securities while diluted EPS reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised, converted or resulted in the issuance of common stock that then shared in the earnings of the entity.

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).

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
YEAR ENDED JUNE 30, 2002			
BASIC EPS			
Income Available to Common Shareholders . . .	$ 1,137	10,092	$ 0.11
Effect of Dilutive Securities - Stock Options		3	
DILUTED EPS			
Income Available to Common Shareholders			
& Assumed Conversions	$ 1,137	10,095	$ 0.11
YEAR ENDED JUNE 24, 2001			
BASIC EPS			
Income Available to Common Shareholders . . .	$ 2,480	10,635	$ 0.23
Effect of Dilutive Securities - Stock Options		4	
DILUTED EPS			
Income Available to Common Shareholders			
& Assumed Conversions	$ 2,480	10,639	$ 0.23
YEAR ENDED JUNE 25, 2000			
BASIC EPS			
Income Available to Common Shareholders . . .	$ 2,884	11,316	$ 0.25
Effect of Dilutive Securities - Stock Options		125	
DILUTED EPS			
Income Available to Common Shareholders			
& Assumed Conversions	$ 2,884	11,441	$ 0.25

Options to purchase 1,591,233 shares of common stock at exercise prices ranging from $2.00 to $5.50 per share were outstanding at June 30, 2002 but were not included in the computation of diluted EPS because the option's exercise price was greater than the average market price of the common shares. Options to purchase 2,195,033 and 1,194,773 shares of common stock during fiscal years 2001 and 2000, respectively, were excluded from the computation of EPS in those years because their inclusion would result in an anti-dilutive effect on EPS.

NOTE M - SEGMENT REPORTING:

The Company has two reportable operating segments as determined by management using the "management" approach as defined in SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". (1) Food and Equipment Distribution, and (2) Franchise and Other. These segments are a result of differences in the nature of the products and services sold. Corporate administration costs, which include, but are not limited to, general accounting, human resources, legal and credit and collections, are partially allocated to the two operating segments. Other revenue consists of nonrecurring items.

The Food and Equipment Distribution segment sells and distributes proprietary and non-proprietary items to franchisees and to two company-owned and operated stores. Inter-segment revenues consist of sales to the company-owned stores. Assets for this segment include tractor/trailers, equipment, furniture and fixtures.

The Franchise and Other segment includes income from royalties, license fees and area development and foreign master license sales. The Franchise segment includes the two company-owned stores, which are used as prototype and training facilities. Assets for this segment include equipment, furniture and fixtures for the company stores.

Corporate administration and other assets primarily include the deferred tax asset, cash and short term investments, as well as furniture and fixtures located at the corporate office.

Summarized in the following tables are net sales and operating revenues, depreciation and amortization expense, interest expense, interest income, operating profit, capital expenditures, and assets for the Company's reportable segments for the years ended June 30, 2002, June 24, 2001, and June 25, 2000:

	JUNE 30, 2002	JUNE 24, 2001	JUNE 25, 2000
(In thousands)			
NET SALES AND OPERATING REVENUES:			
Food and Equipment Distribution . .	$ 57,727	$ 57,020	$ 59,130
Franchise and Other	7,662	7,719	8,050
Intersegment revenues	806	861	828
Combined.	66,195	65,600	68,008
Other revenues.	1,253	529	460
Less intersegment revenues.	(806)	(861)	(828)
Consolidated revenues	$ 66,642	$ 65,268	$ 67,640
DEPRECIATION AND AMORTIZATION:			
Food and Equipment Distribution . .	$ 854	$ 992	$ 874
Franchise and Other	120	227	120
Combined.	974	1,219	994
Corporate administration and other.	363	124	216
Depreciation and amortization . .	$ 1,337	$ 1,343	$ 1,210
INTEREST EXPENSE:			
Food and Equipment Distribution . .	$ 520	$ 533	$ 495
Franchise and Other	5	6	6
Combined.	525	539	501
Corporate administration and other.	307	297	249
Interest Expense.	$ 832	$ 836	$ 750
INTEREST INCOME:			
Food and Equipment Distribution . .	$ 34	$ 25	$ 66
Franchise and Other	-	-	-
Combined.	34	25	66
Corporate administration and other.	99	208	126
Interest Income	$ 133	$ 233	$ 192
OPERATING PROFIT:			
Food and Equipment Distribution (1)	$ 2,772	$ 3,190	$ 2,709
Franchise and Other (1)	3,306	2,685	3,790
Intersegment profit	235	256	225
Combined.	6,313	6,131	6,724
Other revenue	1,253	376	223

Less intersegment profit.	(235)	(256)	(225)
Corporate administration and other.	(5,608)	(2,330)	(2,333)
Income before taxes	$ 1,723	$ 3,921	$ 4,389

(1) Does not include full allocation of corporate administration

(In thousands)	JUNE 30, 2002	JUNE 24, 2001	JUNE 25, 2000
CAPITAL EXPENDITURES:			
Food and Equipment Distribution. . .	$ 8,499	$ 4,438	$ 413
Franchise and Other.	82	227	138
Combined	8,581	4,665	551
Corporate administration and other .	371	48	203
Consolidated capital expenditures.	$ 8,952	$ 4,713	$ 754
ASSETS:			
Food and Equipment Distribution. . .	$ 12,908	$ 13,575	$ 10,279
Franchise and Other.	1,079	1,193	1,361
Combined	13,987	14,768	11,640
Corporate administration and other .	10,627	5,104	6,051
Consolidated assets.	$ 24,614	$ 19,872	$ 17,691
GEOGRAPHIC INFORMATION (REVENUES):			
United States.	$ 66,124	$ 64,666	$ 66,383
Foreign countries.	518	602	1,257
Consolidated total	$ 66,642	$ 65,268	$ 67,640

NOTE N - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED):
The following summarizes the unaudited quarterly results of operations for the fiscal years ended June 30, 2002 and June 24, 2001 (in thousands, except per share amounts):

	Quarter Ended			
	September 23, 2001	December 23, 2001	March 24, 2002	June 30, 2002
FISCAL YEAR 2002				
Revenues	$ 17,308	$ 15,987	$ 15,286	$ 18,061
Gross Profit	1,126	1,380	1,173	2,036
Net Income (Loss).	590	567	478	(498)
Basic earnings (loss) per share on net income. .	0.06	0.06	0.05	(0.05)
Diluted earnings (loss) per share on net income.	0.06	0.06	0.05	(0.05)

	Quarter Ended			
	September 24,. . 2000	December 24, 2000	March 25, 2001	June 24, 2001
FISCAL YEAR 2001				
Revenues	$ 17,155	$ 15,787	$ 15,742	$ 16,584
Gross Profit	1,440	1,434	1,299	1,410
Net Income	646	529	604	701
Basic earnings per share on net income	0.06	0.05	0.06	0.07
Diluted earnings per share on net income	0.06	0.05	0.06	0.07

SCHEDULE II

PIZZA INN, INC.
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

		ADDITIONS			
	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COST AND EXPENSE	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS (1)	BALANCE AT END OF PERIOD
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND NOTES RECEIVABLE					
Year Ended June 30, 2002.	$ 1,001	$ 2,367	$ -	$ (415)	$ 2,953
Year Ended June 24, 2001.	$ 1,102	$ 210	$ -	$ (311)	$ 1,001
Year Ended June 25, 2000.	$ 1,032	$ 225	$ -	$ (155)	$ 1,102
VALUATION ALLOWANCE FOR DEFERRED TAX ASSET					
Year Ended June 30, 2002.	$ 38	$ 187	$ -	$ -	$ 225
Year Ended June 24, 2001.	$ 22	$ 16	$ -	$ -	$ 38
Year Ended June 25, 2000.	$ 204	$ -	$ -	$ (182)	$ 22

(1) Write-off of receivables, net of recoveries

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There are no events to report under this item.

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFICERS OF THE REGISTRANT

The information required by this Item is included in the Company's definitive Proxy Statement to be filed pursuant to Regulation 14a in connection with the Company's annual meeting of shareholders to be held in December 2002 (the "Proxy Statement"), and is incorporated herein by reference.

ITEM 11 - EXECUTIVE COMPENSATION

The information required by this Item is included in the Proxy Statement and is incorporated herein by reference.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is included in the Proxy Statement and is incorporated herein by reference.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is included in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON 8-K

(a) 1. The financial statements filed as part of this report are listed in the Index to Financial Statements and Schedules under Part II, Item 8 of this Form 10-K.

2. The financial statement schedules filed as part of this report are listed in the Index to Financial Statements and Schedules under Part II, Item 8 of this Form 10-K.

3. Exhibits:

3.1 Restated Articles of Incorporation as filed on September 5, 1990 and amended on February 16,1993 (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 1993 and incorporated herein by reference).

3.2 Amended and Restated By-Laws as adopted by the Board of Directors on July 11, 2000.

4.1 Provisions regarding Common Stock in Article IV of the Restated Articles of Incorporation, as amended (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 1999 and incorporated herein by reference).

4.2 Provisions regarding Redeemable Preferred Stock in Article V of the Restated Articles of Incorporation, as amended (filed as Exhibit 3.1 to this Report and incorporated herein by reference).

10.1 Second amended and Restated Loan Agreement between the Company and Wells Fargo Bank (Texas), N.A. dated March 31, 2000 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 26, 2000 and incorporated herein by reference).

10.2 First Amendment to the Second Amendment and Restated Loan Agreement between the Company and Wells Fargo Bank (Texas), N.A. dated December 28, 2000 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 24, 2000 and incorporated herein by reference).

10.3 Second Amendment to the Second Amended and Restated Loan Agreement between the Company and Wells Fargo Bank (Texas), N.A. dated January 31, 2002, but effective December 23, 2001 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 23, 2001 and incorporated herein by reference).

10.4 Third Amendment to the Second Amended and Restated Loan Agreement between the Company and Wells Fargo Bank (Texas), N.A. dated September 26, 2002, but effective June 30, 2002.

10.5 Construction Loan Agreement between the Company and Wells Fargo Bank (Texas) N.A. dated December 28, 2000 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 24, 2000 and incorporated herein by reference).

10.6 Promissory Note between the Company and Wells Fargo Bank (Texas) N.A. dated December 28, 2000 (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 24, 2000 and incorporated herein by reference).

10.7 Promissory Note between the Company and Wells Fargo Bank (Texas), N.A. dated January 31, 2002 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 23, 2001 and incorporated herein by reference).

10.8 Stock Purchase Agreement between the Company and Kleinwort Benson Limited dated April 28, 1995 (filed as Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 26, 1995 and incorporated herein by reference).

10.9 Redemption Agreement between the Company and Kleinwort Benson Limited dated June 24, 1994 (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended June 26, 1994 and incorporated herein by reference.)

10.10 Form of Executive Employment Contract (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 24, 2000 and incorporated herein by reference).

10.11 Amended Employment Agreement between the Company and C. Jeffrey Rogers dated April 20, 2001 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 25, 2001 and incorporated herein by reference).*

10.12 Severance agreement between the Company and C. Jeffery Rogers dated August 21, 2002.

10.13 1993 Stock Award Plan of the Company (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended June 26, 1994 and incorporated herein by reference).*

10.14 1993 Outside Directors Stock Award Plan of the Company (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended June 26, 1994 and incorporated herein by reference).*

10.15 1992 Stock Award Plan of the Company (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 1993 and incorporated herein by reference).*

21.0 List of Subsidiaries of the Company (filed as Exhibit 21.0 to the Company's Annual Report on Form 10-K for the fiscal year ended June 26, 1994 and incorporated herein by reference).

23.0 Consent of Independent Accountants.

99.1 Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certification of Principal Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Denotes a management contract or compensatory plan or arrangement filed pursuant to Item 14 (c) of this report.

(b) Form 8-K filed under Item 5 - Other Events

On August 22, 2002, Pizza Inn, Inc. filed a report on Form 8-K that C. Jeffery Rogers, the Company's Chief Executive Officer, had resigned his position with the Company.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 27, 2002 By: /s/ Shawn M. Preator
Shawn Preator
Vice President of Finance
Treasurer
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name and Position	Date
/s/Steve A. Ungerman Steve A. Ungerman Director and Chairman of the Board	September 27, 2002
/s/Butler E. Powell - --------------------- Butler E. Powell Director	September 27, 2002
/s/Ramon D. Phillips Ramon D. Phillips Director	September 27, 2002
/s/F. Jay Taylor F. Jay Taylor Director	September 27, 2002
/s/Bobby L. Clairday Bobby L. Clairday Director	September 27, 2002
/s/B. Keith Clark B. Keith Clark Senior Vice President General Counsel Director	September 27, 2002
/s/Ronald W. Parker Ronald W. Parker President and Chief Executive Officer (Principal Executive Officer)	September 27, 2002

CERTIFICATION

I, Ronald W. Parker, President and Chief Executive Officer of Pizza Inn, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Pizza Inn, Inc.;

2. Based on my knowledge, this annual 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 annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report.

September 27, 2002

/s/ Ronald W. Parker

Ronald W. Parker
Chief Executive Officer

CERTIFICATION

I, Shawn M. Preator, Vice President of Finance (Principal Accounting Officer) of Pizza Inn, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Pizza Inn, Inc.;

2. Based on my knowledge, this annual 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 annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report.

September 27, 2002

/s/ Shawn M. Preator

Shawn M. Preator
Vice President of Finance
Principal Accounting Officer

THIRD AMENDMENT TO THE SECOND AMENDED AND RESTATED LOAN AGREEMENT

This THIRD AMENDMENT TO THE SECOND AMENDED AND RESTATED LOAN AGREEMENT (the "AMENDMENT"), effective as of June 25, 2002, and dated as of September 26, 2002, is by and between PIZZA INN, INC., a Missouri corporation (the "BORROWER"), and WELLS FARGO BANK TEXAS, NATIONAL ASSOCIATION, a national banking association (successor by consolidation to Wells Fargo Bank (Texas), National Association) (the "BANK").

RECITALS:

A. The Borrower and the Bank entered into that certain Second Amended and Restated Loan Agreement dated as of March 31, 2000 (the "AMENDED AND RESTATED LOAN AGREEMENT").

B. In connection with the Amended and Restated Loan Agreement, Barko Realty, Inc., a Texas corporation, R-Check, Inc., a Texas corporation, and Pizza Inn of Delaware, Inc., a Delaware corporation (collectively, the "GUARANTORS"), executed that certain Second Amended and Restated Guaranty dated as of March 31, 2000 in favor of the Bank (as the same may be amended, restated or modified from time to time, the "GUARANTY").

C. The Borrower and the Bank amended the Amended and Restated Loan Agreement pursuant to that certain First Amendment to Second Amended and Restated Loan Agreement dated as of December 28, 2000 (the "FIRST AMENDMENT") and that certain Second Amendment to Amended and Restated Loan Agreement and Related Loan Documents dated as of January 31, 2002, but effective as of December 23 2001 (the "SECOND AMENDMENT"). The Amended and Restated Loan Agreement, as amended by the First Amendment and by the Second Amendment, is hereinafter referred to as the "LOAN AGREEMENT."

D. The Borrower and the Bank now desire to amend the Loan Agreement as herein set forth.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS

Section 1.1 DEFINITIONS

Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the same meanings as in the Loan Documents as amended hereby.

ARTICLE II.

AMENDMENTS TO LOAN AGREEMENT

Section 2.1 AMENDMENT TO DEFINITIONS

Effective as of the Effective Date, the following definitions in Section 1.1 of the Loan Agreement are hereby amended and restated in their entirety to read as follows:

"CHANGE OF CONTROL" means (a) the merger or consolidation of the Borrower with any other corporation with the effect that the then existing shareholders of the Borrower will hold less than fifty percent (50%) of the total voting power of the surviving corporation, (b) the acquisition of at least thirty-three and one-third percent (33 1/3%) of the voting power or voting stock of the Borrower by any Person or related group of Persons other than the executive officers of the Borrower, (c) the sale, transfer, or disposition of common stock by Mr. C. Jeffrey Rogers such that his beneficial interest in the Borrower falls below fifteen percent (15%) of the issued and outstanding common stock of the Borrower, or (d) Ronald Parker shall cease to be the chief executive officer of the Borrower.

"EBITDA" means, for the preceeding 12 month period, Consolidated Net Income calculated before federal income taxes, plus (a) depreciation and amortization and interest expenses, plus (b) terminated rent expenses prior to and ending on November 30, 2001, to include (i) rent expense, including, without limitation, base rent, CAM charges and repairs and maintenance, and (ii) associated rent expenses incurred in connection with the Norco distribution warehouse located at 920 Avenue R, Suite 100, Grand Prairie, Texas 75050, the Borrower's corporate headquarters located at 5050 Quorum Dive, Suite 500, Dallas, Texas 75240, and the Borrower's training center located at 4819 Keller Springs, Addison, Texas 75248, minus (c) any extraordinary gains or losses of the Borrower during the period in question, plus (d) any write-off (whether as a bad debt expense or otherwise) resulting directly from the loan made by the Borrower to C. Jeffrey Rogers on October 6, 1999 in the original principal amount of $1,949,697.51 or minus any recovery resulting directly from such loan.

"LIBOR RATE MARGIN" means, (a) with respect to the Term Loan, one and one-half percent (1.50%) and (b) with respect to the Revolving Credit Loans, at such time and from time to time as the relevant Funded Debt Ratio is in one of the following ranges, the percentage per annum set forth opposite such Funded Debt Ratio:

FUNDED DEBT RATIO	PERCENTAGE FOR REVOLVING CREDIT LOANS
Less than 2.0 to 1.0	1.25%
2.0 to 1.0 or greater and less than 2.5 to 1.0	1.50%
2.5 to 1.0 or greater and less than 3.0 to 1.0	1.75%
3.0 to 1.0 or greater and less than 3.25 to 1.0	2.00%
3.25 to 1.0 or greater	2.25%

The Borrower shall give written notice to the Bank of any changes in the Funded Debt Ratio which results in a change to the LIBOR Rate Margin concurrently with its delivery of the items required under Section 10.1(c) hereof, and any change to the LIBOR Rate Margin shall be effective with respect to any Interest Period commencing after the Bank has received such information.

Section 2.2 AMENDMENT TO SECTION 10.1. Effective as of the Effective Date, subsections (b) and (c) of Section 10.1 of the Loan Agreement are hereby amended and restated in their entirety to read as follows:

(b) Quarterly and Monthly Financial Statements. (i) As soon as available, and in any event within sixty (60) days after the end of each of the first three (3) quarters of each fiscal year of the Borrower, a copy of an unaudited financial report of the Borrower and the Subsidiaries as of the end of such fiscal quarter and for the portion of the fiscal year then ended, containing, on a consolidated and (to the extent required by GAAP) consolidating basis, balance sheets and statements of income, and cash flow, in each case setting forth in comparative form the figures for the corresponding period of the preceding fiscal year, all in reasonable detail certified by an Authorized Officer of the Borrower to have been prepared in accordance with GAAP and to fairly and accurately present (subject to the absence of footnotes and year-end audit adjustments) the financial condition and results of operations of the Borrower and the Subsidiaries, on a consolidated and (to the extent required by GAAP) consolidating basis, at the date and for the periods indicated therein, and (ii) as soon as available, and in any event within thirty (30) days after the end of each fiscal month of each fiscal year of the Borrower, a copy of an unaudited financial report of the Borrower and the Subsidiaries as of the end of each fiscal month and for the portion of the fiscal year then ended, containing, on a consolidated basis, balance sheets and statements of income, and cash flow, in each case setting forth in comparative form the figures for the corresponding period of the preceding fiscal year, all in reasonable detail certified by an Authorized Officer of the Borrower to have been prepared in accordance with GAAP and to fairly and accurately present (subject to the absence of footnotes and year-end audit adjustments) the financial condition and results of operations of the Borrower and the Subsidiaries, on a consolidated basis, at the date and for the periods indicated therein;

(c) Monthly Calculations. As soon as available, and in any event within thirty (30) days after the end of each fiscal month of the Borrower, (i) a certificate of an Authorized Officer of the Borrower in substantially the form of Exhibit E hereto (A) stating to the best of such officer's knowledge, no Default has occurred and is continuing, or if a Default has occurred and is continuing, a statement as to the nature thereof and the action that is proposed to be taken with respect thereto, and (B) showing in reasonable detail the most recent calculations demonstrating compliance with Article XII and (ii) if applicable, the notice required under the definition of "LIBOR Rate Margin."

Section 2.3 AMENDMENT TO SECTION 12.2. Effective as of June 27, 2002, Section 12.2 of the Loan Agreement is hereby amended and restated in its entirety as follows:

Section 12.2 Funded Debt Ratio. The Borrower will maintain, as of the end of each fiscal month, a Funded Debt Ratio of not greater than (a) 3.25 to 1.00 for the fiscal month ending on or about June 30, 2002 and continuing through the fiscal month ending on or about August 30, 2002, (b) 3.00 to 1.00 for each fiscal month commencing with the fiscal month ending on or about September 30, 2002 and continuing through May 31, 2003, and (b) 2.75 to 1.00 for each fiscal month commencing with the fiscal month ending on or about June 30, 2003, and at all times thereafter.

Section 2.4 AMENDMENT TO SECTION 12.3. Effective as of June 27, 2002, Section 12.3 of the Loan Agreement is hereby amended and restated in its entirety as follows:

Section 12.3 Fixed Charge Coverage Ratio. The Borrower will maintain, as of the end of each fiscal month, a Fixed Charge Coverage Ratio of not less than

1.25 to 1.00 at all times.

ARTICLE III.

CONDITIONS PRECEDENT

Section 3.1 CONDITIONS. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent on or prior to September __, 2002 (where applicable):

(a) The Bank shall have received all of the following, in form and substance satisfactory to the Bank:

(1) Resolutions. Resolutions of the Board of Directors of the Borrower and each Guarantor certified by its Secretary or an Assistant Secretary which authorize the execution, delivery, and performance by the Borrower and each Guarantor of this Amendment and the other Loan Documents to which the Borrower or such Guarantor is or is to be a party hereunder;

(2) Incumbency Certificate. A certificate of incumbency certified by the Secretary or an Assistant Secretary of the Borrower and each Guarantor certifying the names of the officers of the Borrower and each Guarantor authorized to sign this Amendment and each of the other Loan Documents to which the Borrower or such Guarantor is or is to be a party hereunder (including the certificates contemplated herein), together with specimen signatures of such officers;

(3) Articles of Incorporation. A certificate certified by the Secretary or an Assistant Secretary of the Borrower and each Guarantor certifying that the articles of incorporation of the Borrower and each Guarantor have not been amended or modified since March 31, 2000 and are still in full force and effect;

(4) Bylaws. A certificate certified by the Secretary or an Assistant Secretary of the Borrower and each Guarantor certifying that the bylaws of the Borrower and each Guarantor have not been amended or modified since March 31, 2000 and are still in full force and effect; and

(5) Governmental Certificates. Certificates of the appropriate government officials of the state of incorporation of the Borrower and each Guarantor as to the existence and good standing of the Borrower and each Guarantor, each dated no earlier than ten (10) days prior to the date hereof.

(b) The Borrower shall have paid to Bank a waiver and amendment fee in the amount of $10,000.

(c) The representations and warranties contained herein and in all other Loan Documents, as amended hereby, shall be true and correct as of the date hereof as if made on the date hereof.

(d) No Event of Default shall have occurred and be continuing and no event or condition shall have occurred that with the giving of notice or lapse of time or both would be an Event of Default.

(e) All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments, and other legal matters incident thereto shall be satisfactory to the Bank and its legal counsel, Vinson & Elkins L.L.P.

ARTICLE IV.

RATIFICATIONS, REPRESENTATIONS AND WARRANTIES

Section 4.1 RATIFICATIONS

The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Loan Agreement and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Loan Agreement are ratified and confirmed and shall continue in full force and effect. The Borrower and the Bank agree that the Loan Agreement as amended hereby shall continue to be legal, valid, binding and enforceable in accordance with its terms.

Section 4.2 REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants to the Bank that (i) the execution, delivery and performance of this Amendment and any and all other agreements, documents and instruments executed and/or delivered in connection herewith have been authorized by all requisite corporate action on the part of the Borrower and will not violate the articles of incorporation or bylaws of the Borrower, (ii) the representations and warranties contained in the Loan Agreement, as amended hereby, and any other Loan Document are true and correct on and as of the date hereof as though made on and as of the date hereof, (iii) no Event of Default has occurred and is continuing and no event or condition has occurred that with the giving of notice or lapse of time or both would be an Event of Default, and (iv) the Borrower is in material compliance with all covenants and agreements contained in the Loan Agreement as amended hereby.

ARTICLE V.

MISCELLANEOUS

Section 5.1 SURVIVAL OF REPRESENTATIONS AND WARRANTIES

All representations and warranties made in this Amendment or any other Loan Document shall survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by the Bank or any closing shall affect the representations and warranties or the right of the Bank to rely upon them.

Section 5.2 REFERENCE TO AGREEMENT

Each of the Loan Documents, including the Loan Agreement and any and all other agreements, documents, or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Loan Agreement as amended hereby, are hereby amended so that any reference in such Loan Documents to the Loan Agreement shall mean a reference to the Loan Agreement as amended hereby.

Section 5.3 EXPENSES OF BANK

As provided in the Loan Agreement, the Borrower agrees to pay on demand all costs and expenses incurred by the Bank in connection with the preparation, negotiation, and execution of this Amendment and any and all amendments, modifications, and supplements thereto, including, without limitation, the costs and fees of the Bank's legal counsel in connection therewith, and all costs and expenses incurred by the Bank in connection with the enforcement or preservation of any rights under the Loan Agreement, as amended hereby, or any other Loan Document, including without limitation the costs and fees of the Bank's legal counsel.

Section 5.4 SEVERABILITY

Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

Section 5.5 APPLICABLE LAW

This Amendment and all other Loan Documents executed pursuant hereto shall be deemed to have been made and to be performable in Dallas, Dallas County, Texas and shall be governed by and construed in accordance with the laws of the State of Texas.

Section 5.6 SUCCESSORS AND ASSIGNS

This Amendment is binding upon and shall inure to the benefit of the Bank and the Borrower and their respective successors and assigns, except the Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of the Bank.

Section 5.7 COUNTERPARTS

This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. Facsimiles shall be effective as originals.

Section 5.8 EFFECT OF WAIVER

No consent or waiver, express or implied, by the Bank to or for any breach of or deviation from any covenant, condition or duty by the Borrower or any of the Guarantors shall be deemed a consent or waiver to or of any other breach of the same or any other covenant, condition or duty.

Section 5.9 HEADINGS

The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

Section 5.10 ENTIRE AGREEMENT

THIS AMENDMENT AND ALL OTHER AGREEMENTS, DOCUMENTS AND INSTRUMENTS EXECUTED AND DELIVERED IN CONNECTION WITH THIS AMENDMENT EMBODY THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THIS AMENDMENT, AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENT AMONG THE PARTIES HERETO.

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Executed as of the date first written above.

Borrower:

PIZZA INN, INC.

By: /s/ Ronald W. Parker
Ronald W. Parker
Chief Executive Officer

Bank:

WELLS FARGO BANK TEXAS,
NATIONAL ASSOCATION

By:/s/ Austin D. Nettle
Austin D. Nettle
Vice President

Each of the Guarantors hereby consents and agrees to this Amendment and agrees that the Guaranty shall remain in full force and effect and shall continue to be the legal, valid and binding obligation of such Guarantor enforceable against such Guarantor in accordance with its terms.

Guarantors:

BARKO REALTY, INC.
R-CHECK, INC.
PIZZA INN OF DELAWARE, INC.

By: /s/ Ronald W. Parker
Ronald W. Parker
President

SEVERANCE AGREEMENT AND RELEASE

This Severance Agreement and Release (the "Agreement") is entered into by and between Pizza Inn, Inc. (the "Company") and C. Jeffrey Rogers ("Mr. Rogers"), effective this 21st day of August, 2002.

WHEREAS, Mr. Rogers's employment with the Company will terminate by mutual agreement on August 21, 2002;

WHEREAS, in connection with the termination of Mr. Rogers's employment with the Company, the Company and Mr. Rogers desire to enter into this Agreement on the terms and conditions set forth below;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, the Company and Mr. Rogers hereby agree as follows:

1. AGREEMENTS BY MR. ROGERS.

In consideration of the mutual promises, conditions, and covenants by the Company set forth in this Agreement, and in accordance with the recitals set forth above, Mr. Rogers agrees as follows:

(A) RESIGNATION: Mr. Rogers agrees that he has resigned all positions with the Company and its affiliates, including without limitation as a member and Vice-Chairman of the Company's Board of Directors and as Chief Executive Officer of the Company, as well as any trustee position or signatory authority.

(B) RELEASE OF CLAIMS: Mr. Rogers hereby RELEASES AND FOREVER DISCHARGES the Company (including, without limitation, the Company's affiliates, owners, stockholders, agents, directors, officers, members, partners, employees, insurers, representatives, lawyers, employee welfare benefit plans, pension plans and/or deferred compensation plans and their trustees, administrators or other fiduciaries, the successors or assigns of any of the foregoing, and all persons acting by, through, under, or in concert with them, or any of them) of and from any and all manner of action or actions, cause or causes of action, at law or in equity, suits, debts, liens, contracts, agreements, promises, liabilities, claims, demands, damages, loss, cost or expense, of any nature whatsoever, known or unknown, fixed or contingent, asserted or unasserted, liquidated or unliquidated, due or to become due (hereinafter called "claims"), which Mr. Rogers now has or may hereafter have against the Company by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof including but not limited to those claims arising out of his employment with the Company or the termination of such employment. Without limiting the generality of the foregoing, the claims released herein include any claims arising out of, based upon, or in any way related to:

(1) the Employment Agreement between the Company and Mr. Rogers dated July 1, 1999, and any amendments or supplements to that agreement;
(2) any claim of entitlement to present or future employment or reemployment with the Company;
(3) any property, contract, or tort claims, including any and all claims of wrongful discharge, breach of employment contract, breach of any covenant of good faith and fair dealing, retaliation, intentional or negligent infliction of emotional distress, tortious interference with contract or existing or prospective economic advantage, negligence, misrepresentation, breach of privacy, defamation, loss of consortium, breach of fiduciary duty, violation of public policy, or any other common law claim of any kind;
(4) any violation or alleged violation of Title VII of the Civil Rights Act of 1964, as amended, the Older Workers Benefit Protection Act of 1990, the Equal Pay Act, as amended, the Fair Labor Standards Act, the Employee Retirement Income Security Act, the Americans With Disabilities Act, the Texas Labor Code, the Texas Unemployment Insurance Act, the Texas Worker's Compensation Act, the Civil Rights Act of 1866, the Consolidated Omnibus Budget Reconciliation Act, or any other federal, state, or local statute, regulation, or ordinance;
(5) any violation or alleged violation of the Age Discrimination in Employment Act, as amended;
(6) any claim for severance pay, bonus, sick leave, vacation or holiday pay, life insurance, health insurance, disability or medical insurance, or any other employee benefit ;
(7) any claim relating to or arising under any other local, state, or federal statute or principle of common law (whether in contract or in tort) governing employment, discrimination in employment, and/or the payment of wages or benefits; and
(8) any claim that the Company has acted improperly, illegally, or unconscionably in any manner whatsoever at any time prior to the execution of this Agreement;

provided however, that the release described herein shall not apply to any claims that Mr. Rogers has or may have in the future (i) with respect to any breach of this Agreement by the Company or (ii) with respect to any claim under the Company's directors and officers insurance policies or claims for indemnification pursuant to the Company's bylaws or (iii) with respect to stock options currently held by Mr. Rogers which shall continue to be subject to the provisions of the Company's stock option plans, and (iv) with respect for any vested benefits of Mr. Rogers under any Company employee benefit plan.

(C) OWBPA REPRESENTATIONS: With respect to Mr. Rogers's agreement to release any claims for violations or alleged violations of the Age Discrimination in Employment Act, as amended, as discussed in Paragraph 1(b)(5), above, Mr. Rogers understands that this Agreement is written in a manner calculated to be understood by him, that he understands this Agreement, that he does not waive any rights or claims that may arise after the date this Agreement is executed, that he is waiving any rights or claims only in exchange for consideration in addition to anything of value to which he already is entitled, that he is advised to consult with an attorney prior to executing this Agreement, that he has a period of at least 21 days within which to consider this Agreement, that he has a period of at least seven days following the execution of this Agreement within which to revoke this Agreement, and this Agreement will not become effective or enforceable until the revocation period has expired.

(D) COVENANT NOT TO SUE: Mr. Rogers agrees that it is his intention in executing this agreement that it shall be effective to bar each and every claim that he now has or could have against the Company arising from Mr. Rogers's employment with the Company except as otherwise provided in this Agreement. In signing this Agreement, Mr. Rogers agrees never to institute any claim at law or equity against the Company relating to his employment with the Company or the termination of such employment.

(E) WARRANTY THAT CLAIMS HAVE NOT BEEN ASSIGNED OR CONVEYED: Mr. Rogers represents and warrants that he is the only person who may be entitled to assert any claims against the Company arising from any claim relating to his former employment with the Company and the termination of such employment, and that he has not assigned or conveyed to anyone else any part of or interest in his claims against the Company. Mr. Rogers agrees to indemnify and hold the Company harmless from any liability, demand, cost, expense, or attorney's fee incurred as the result of the assertion of any such claim or claims by any other person based on such an assignment or conveyance from Mr. Rogers.

(F) AGREEMENT TO INDEMNIFY IF CLAIM AGAINST COMPANY IS FILED: Mr. Rogers agrees that if he hereafter commences, joins in, or in any manner seeks relief against any of the parties released hereunder through any administrative claim, lawsuit, or arbitration arising out of, based upon, or relating to any of the claims released hereunder or in any manner asserts against the Company any of the claims released hereunder, then Mr. Rogers shall pay, in addition to any other damages caused thereby, all attorney's fees and costs incurred by the Company in defending or otherwise responding to said suit or claim.

(G) NONDISCLOSURE OF CONFIDENTIAL INFORMATION: Mr. Rogers agrees to hold in strictest confidence, and not to directly or indirectly use, disclose, publish, disseminate, distribute, sell, transfer to any person, firm or corporation, copy, remove from the Company premises, or commercially exploit, without the written authorization of the Company, any Proprietary Information of the Company. As used herein, "Proprietary Information" means business, pricing, marketing, production, customer and cost data of the Company; compensation and fee information for all personnel, including independent contractors of the Company; information regarding the skills and performance of employees of the Company; other personnel records of the Company; business plans (including any strategic, marketing or sales plans), budgets, financial statements of the Company; contents of agreements and contracts with customers and suppliers of the Company; contents of agreements with joint ventures of the Company; customer lists, requirements and specifications of the Company; and any other information the Company treats as a trade secret or has marked "secret," "proprietary," "confidential," or treated in a similar manner. Mr. Rogers acknowledges that he is aware of the policies that the Company has implemented to keep Proprietary Information secret, including disclosing the information only on a need-to-know basis, labeling documents as "confidential," and keeping Proprietary Information in secure areas. Mr. Rogers also acknowledges that the Proprietary Information has been developed or acquired by the Company through the expenditure of substantial time, effort, and money and provides the Company with an advantage over competitors who do not know or use such Proprietary Information.

(H) NOTIFICATION TO COMPANY: In the event Mr. Rogers is required by a court of any competent jurisdiction to disclose any Proprietary Information, Mr. Rogers agrees to promptly notify the Company so that the Company may seek an appropriate protective order and/or waive Mr. Rogers's compliance with Paragraph 1(g), above. In the event such protective order or other remedy is not obtained, then Mr. Rogers agrees to disclose only that portion of such Proprietary Information that he is legally required to disclose.

(I) RETURN OF COMPANY PROPERTY: Mr. Rogers agrees to deliver to the Company (and will not keep in his possession, recreate or deliver to anyone else) any and all property, records, notes, reports, proposals, lists, correspondence, materials, equipment, rolodex cards, or other documents or property, together with all copies hereof (in whatever medium recorded) belonging to the Company, whether located at the Company, Mr. Rogers's home or elsewhere; provided however, that Mr. Rogers shall be entitled to retain (A) his rolodex (provided that a copy may be retained by the Company), (B) a copy of his personal email addresses, and (C) all personal effects, awards, files and art work, all of which shall be promptly delivered to Mr. Rogers by the Company.

(J) NO DISPARAGEMENT OF COMPANY: Mr. Rogers agrees that he will not disparage, directly or indirectly, the Company or its affiliates, owners, stockholders, agents, directors, officers, members, franchisees, partners, employees, insurers, representatives, or lawyers.

(K) NONCOMPETITION, TRADE SECRETS, AND PROPRIETARY INFORMATION COVENANTS: Mr. Rogers agrees that Articles 9 and 10 the Employment Agreement between the Company and Mr. Rogers dated July 1, 1999, and any amendments or supplements to that agreement (the "Employment Agreement"), remain in full force and effect. Except as set forth in the preceding sentence, the Employment Agreement shall be of no further force or effect.

(L) AGREEMENT REGARDING ERRONEOUS BONUS ADVANCE: Mr. Rogers agrees that the bonus of approximately $120,000.00 paid to him by the Company in July 2002 was paid by mistake. Mr. Rogers agrees to repay the sum of $120,000.00 to the Company on or before January 1, 2003. Mr. Rogers agrees that if the entire sum is not repaid to the Company by this date, then the Company may offset monthly payments promised to Mr. Rogers in accordance with paragraph 2(a)(7), below, which shall be the Company's sole and exclusive remedy in the event of such nonpayment.

(M) EFFECT OF REVOCATION OF AGREEMENT BY MR. ROGERS: Notwithstanding the Company's agreements to pay Mr. Rogers, in the event of any revocation by

Mr. Rogers of this Agreement pursuant to Paragraph 1(c), above, the Company will not be obligated to make any payments to Mr. Rogers and all amounts previously paid to Mr. Rogers pursuant to Paragraphs 2(a)-(b) below (other than the payments described in Paragraphs 2(a)(1) and 2(a)(2)) shall be immediately due and payable to the Company upon written notice to Mr. Rogers by the Company.

(N) LITIGATION AND REGULATORY COOPERATION: Mr. Rogers agrees to cooperate with the Company in the prosecution or defense of any claims or actions now in existence or that may be brought in the future against or on behalf of the Company that relate to events or occurrences that transpired while Mr. Rogers was employed by the Company. Mr. Rogers's cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company at mutually convenient times. Mr. Rogers also shall cooperate fully with the Company in connection with any investigation or review by any federal, state, or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while Mr. Rogers was employed by the Company. The Company shall provide Mr. Rogers with compensation on a per diem basis calculated at the sum of $3,000.00 per day, prorated as applicable on the basis of an 8-hour day less all withholdings required by law, for such requested litigation and regulatory cooperation, and shall reimburse Mr. Rogers for all costs and expenses incurred in connection with his performance under this paragraph, including, but not limited to, reasonable attorneys' fees and costs.

2. AGREEMENTS BY THE COMPANY.

In consideration of the mutual promises, conditions, and covenants by Mr. Rogers set forth in this Agreement, and in accordance with the recitals set forth above, the Company agrees as follows:

(A) PAYMENTS TO MR. ROGERS: The Company agrees to pay Mr. Rogers the following sums of money by delivery of such payments to counsel for Mr. Rogers:

(1) The Company agrees to pay Mr. Rogers all accrued, unpaid base salary, less applicable withholdings required by law, until and including August 21, 2002. This payment will be made to Mr. Rogers upon execution of this Agreement.

(2) The Company agrees to pay Mr. Rogers the total amount of $26,314.18 less applicable withholdings required by law, for all accrued, unused vacation. This payment will be made to Mr. Rogers upon execution of this Agreement.

(3) The Company agrees to pay Mr. Rogers the total amount of $195,000.00, less applicable withholdings required by law, for 90 days of base salary. This payment will be made to Mr. Rogers 8 days after execution of this Agreement, assuming no revocation or breach of this Agreement by Mr. Rogers.

(4) The Company agrees to pay Mr. Rogers the total amount of $50,000.00 for premiums on life insurance policies, as determined to be appropriate by Mr. Rogers in his sole discretion. This payment will be made to Mr. Rogers upon execution of this Agreement.

(5) The Company agrees to pay Mr. Rogers the total amount of $25,000.00 for executive recruiting assistance, as determined to be appropriate by Mr. Rogers in his sole discretion. This payment will be made to Mr. Rogers upon execution of this Agreement.

(6) The Company agrees to pay to counsel for Mr. Rogers the total amount of $30,713.51 for reasonable legal fees incurred by Mr. Rogers in connection with this Agreement. This payment is earmarked for counsel to Mr. Rogers and will be delivered upon execution of this Agreement.

(7) The Company agrees to pay Mr. Rogers the total amount of $24,000.00 per month for 5 months - on January 1, 2003, February 1, 2003, March 1, 2003, April 1, 2003, and May 1, 2003. These payments will be made to Mr. Rogers on the dates specified, assuming no revocation of this Agreement by Mr. Rogers. However, these payments are subject to offset in accordance with paragraph 1(l) of this Agreement, above.

(B) CONTINUATION OF COBRA HEALTH INSURANCE BENEFITS: The Company agrees to make monthly payments for Mr. Rogers' COBRA medical benefits coverage (including family members presently enrolled, as applicable under the Company's current insurance), subject to payment of required deductibles and copays for a period of 18 months after execution of this Agreement, assuming no revocation of this Agreement by Mr. Rogers. Terms of these medical benefits will continue to be governed by the applicable plans.

(C) RELEASE OF CLAIMS: The Company, on behalf of itself, its subsidiaries and its affiliates, hereby RELEASES AND FOREVER DISCHARGES Mr. Rogers and his successors or assigns, and all persons acting by, through, under, or in concert with them, or any of them) of and from any and all manner of action or actions, cause or causes of action, at law or in equity, suits, debts, liens, contracts, agreements, promises, liabilities, claims, demands, damages, loss, cost or expense, of any nature whatsoever, known or unknown, fixed or contingent, asserted or unasserted, liquidated or unliquidated, due or to become due (hereinafter called "claims"), which the Company now has or may hereafter have against Mr. Rogers by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof including but not limited to those claims arising out of his employment with the Company or any compensation or reimbursement related to such employment; provided however, that the release described herein shall not apply to any claims that the Company has or may have in the future (i) with respect to any breach of this Agreement by Mr. Rogers or (ii) with respect to that certain promissory note in the original principal amount of $1,949,697.51 dated October 6, 1999 or (iii) with respect to the bonus described in Paragraph 1(l) above, subject to Paragraph 2(a)(7) above.

(D) NO DISPARAGEMENT OF MR. ROGERS: The Company agrees, on behalf of itself, its directors, officers and employees, that it and they will not disparage, directly or indirectly, Mr. Rogers and will use its best reasonable efforts to cause its franchisees and other agents to not disparage Mr. Rogers. If asked for references, the Company agrees to disclose only Mr. Rogers's position and dates of employment.

(E) CONFIDENTIALITY. The Company agrees that it will not disclose to anyone the contents of Mr. Rogers' personnel file, other than to confirm dates of employment, positions held, and salary received, unless requested to do so by Mr. Rogers or an appropriate governmental entity or compelled by legal process. Nothing in this Agreement, however, will be deemed to preclude the Company, its agents, employees, successors and assigns, from giving statements, affidavits, depositions, testimony, declarations, or other disclosures required by or pursuant to legal process or otherwise required by law.

(F) D & O INSURANCE. The Company agrees to use its best reasonable efforts to maintain its current directors and officers liability insurance coverage and will take no action to deprive Mr. Rogers of the benefits of such coverage.

3. LEGAL AND EQUITABLE REMEDIES.

The parties agrees that each party hereto has the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that such party may have for a breach of this Agreement by the other party.

4. OTHER PROVISIONS.

(A) GOVERNING LAW AND CONSENT TO PERSONAL JURISDICTION: This Agreement is governed by and will be construed in accordance with the internal laws of the State of Texas without giving effect to any choice of law or conflict provisions or rule (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas, and each party hereby expressly consents to the personal jurisdiction of the state and federal courts located in Dallas County, Texas for any lawsuit filed arising from or relating to this Agreement.

(B) SUCCESSORS AND ASSIGNS: This Agreement will be binding upon Mr. Rogers's heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors and its assigns. This Agreement will be binding upon the Company's successors and assigns and will be for the benefit of Mr. Rogers' heirs, executors, administrators and other legal representatives.

(C) THIRD-PARTY BENEFICIARIES: Mr. Rogers and the Company acknowledge and agree that the terms of this Agreement, including but not limited to the releases of claims by Mr. Rogers, will inure to the benefit of the Company's affiliated entities, owners, stockholders, agents, directors, officers, members, partners, employees, insurers, representatives, lawyers, employee welfare benefit plans, pension plans and/or deferred compensation plans and their trustees, administrators or other fiduciaries, the successors or assigns of any of the foregoing, and all persons acting by, through, under, or in concert with them, or any of them.

(D) SEVERABILITY: Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law; but if any provision of this Agreement is prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such provision or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

(E) HEADINGS AND CONSTRUCTION: The headings in this Agreement are for convenience only and are not considered a part of or used in the construction or interpretation of any provision of this Agreement.

(F) ENTIRE AGREEMENT: The matters set forth in this Agreement constitute the sole and entire agreement between Mr. Rogers and the Company and supersede all prior agreements (except as otherwise set forth herein), negotiations, and discussions between the parties hereto and/or their respective counsel with respect to the subject matter hereof. No other representations, covenants, undertakings, or other prior or contemporaneous agreements, oral or written, regarding the matters set forth in this Agreement shall be deemed to exist or bind any of the parties hereto. Each party understands and agrees that it has not relied on any statement or representation by the other party or any of its representatives in entering into this Agreement.

(G) AMENDMENT TO THIS AGREEMENT: Any amendment to this Agreement must be writing and signed by duly authorized representatives of the parties hereto and stating of the intent of the parties to amend this Agreement.

(H) VOLUNTARY EXECUTION: This Agreement has been entered into as a result of arms-
length negotiations between Mr. Rogers and the Company, and the parties each represent that they are voluntarily executing this Agreement after an adequate opportunity to consult with counsel of their choosing regarding its meaning and effect.

(I) EXECUTION IN COUNTERPARTS: This Agreement may be executed in counterparts, including facsimile counterparts, with the same force and effectiveness as if it were executed in one complete document.

IN WITNESS WHEREOF, the Company and Mr. Rogers have executed and delivered this Agreement as of the date first written above.

AGREED: Pizza Inn, Inc.

By:/s/ Stephen Ungerman
Stephen Ungerman, Chairman of the Board

By:/s/ C. Jeffrey Rogers
AGREED: C. Jeffrey Rogers

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. section 1350, and accompanies the annual report on Form 10-K (the "Form 10-K") for the period ended June 30, 2002 of Pizza Inn, Inc. (the "Issuer").

I, Ronald W. Parker, the Chief Executive Officer of the Issuer certify that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

September 27, 2002

/s/ Ronald W. Parker

Ronald W. Parker
Chief Executive Officer

CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. section 1350, and accompanies the annual report on Form 10-K (the "Form 10-K") for the period ended June 30, 2002 of Pizza Inn, Inc. (the "Issuer").

I, Shawn M. Preator, the Principal Accounting Officer of the Issuer certify that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

September 27, 2002

/s/ Shawn M. Preator

Shawn M. Preator
Vice President of Finance
(Principal Accounting Officer)

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 33-56590, 33-71700, as amended by Post-Effective Amendments No. One and Two, 333-77617, and 333-76296) of Pizza Inn, Inc. of our report dated September 26, 2002 relating to the consolidated financial statements and financial statement schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Dallas, Texas
September 26, 2002