

## SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934

FILED BY REGISTRANT  [X]  
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 CHECK THE APPROPRIATE BOX:  
 [ ] PRELIMINARY PROXY STATEMENT  
 [ ] CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE  
 14A-B(E)(2))  
 [X] DEFINITIVE PROXY STATEMENT  
 [ ] DEFINITIVE ADDITIONAL MATERIALS  
 [ ] SOLICITING MATERIAL PURSUANT TO 240.14A-11(C) OR 240.14A-12

PIZZA INN, INC.  
 (NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):  
 [X] NO FEE REQUIRED.

[ ] FEE COMPUTED ON TABLE BELOW PER EXCHANGE ACT RULES 14A-6(I)(1) AND 0-11.  
 1) TITLE OF EACH CLASS OF SECURITIES TO WHICH TRANSACTION APPLIES:  
 2) AGGREGATE NUMBER OF SECURITIES TO WHICH TRANSACTION APPLIES:  
 3) PER UNIT PRICE OR OTHER UNDERLYING VALUE OF TRANSACTION COMPUTED PURSUANT TO EXCHANGE ACT RULE 0-11 (SET FOR THE AMOUNT ON WHICH THE FILING FEE IS CALCULATED AND STATE HOW IT WAS DETERMINED):  
 4) PROPOSED MAXIMUM AGGREGATE VALUE OF TRANSACTION:  
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[ ] FEE PAID PREVIOUSLY WITH PRELIMINARY MATERIALS.  
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PIZZA INN, INC.  
3551 PLANO PARKWAY  
THE COLONY, TEXAS 75056  
(469) 384-5000

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD DECEMBER 16, 2003

To our Shareholders:

The Annual Meeting of Shareholders of Pizza Inn, Inc. (the "Company") will be held at the Company's corporate offices, 3551 Plano Parkway, The Colony, Texas 75056, on Tuesday, December 16, 2003, at 11:00 am, Dallas time, for the following purposes:

1. To elect three Class II directors; and
2. To transact such other business as may properly come before the meeting or any adjournments thereof.

Only shareholders of record at the close of business on October 17, 2003 are entitled to notice of, and to vote at, this meeting and any adjournments thereof.

By Order of the Board of Directors,

B. Keith Clark  
Secretary

November 4, 2003

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, PLEASE COMPLETE, DATE, AND SIGN THE ENCLOSED PROXY, AND MAIL IT IN THE STAMPED ENVELOPE ENCLOSED FOR YOUR CONVENIENCE. THE ENCLOSED PROXY IS REVOCABLE AT ANY TIME PRIOR TO ITS USE.

YOUR VOTE IS IMPORTANT.

PIZZA INN, INC.  
3551 PLANO PARKWAY  
THE COLONY, TEXAS 75056  
(469) 384-5000

PROXY STATEMENT FOR THE  
ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD DECEMBER 16, 2003

The Board of Directors of Pizza Inn, Inc., a Missouri corporation (the "Company"), is soliciting proxies to be voted at the Annual Meeting of Shareholders (the "Annual Meeting") to be held at the Company's corporate offices, 3551 Plano Parkway, The Colony, Texas 75056, on Tuesday, December 16, 2003, 11:00 am Dallas time, and at any adjournments thereof. This Proxy Statement and the enclosed form of proxy were first mailed to the Company's shareholders on or about November 4, 2003.

If the proxy is signed and returned before the Annual Meeting, it will be voted in accordance with the directions on the proxy. A proxy may be revoked at any time before it is voted by execution of a subsequent proxy, by signed written notice to Pizza Inn, Inc., c/o American Stock Transfer, 59 Maiden Lane, New York, NY 10007, or by voting in person at the Annual Meeting.

OUTSTANDING CAPITAL STOCK

The record date for shareholders entitled to notice of, and to vote at, the Annual Meeting is October 17, 2003. At the close of business on that date, there were outstanding 10,068,674 shares of Common Stock, \$.01 par value ("Common Stock"). No other class of securities of the Company is entitled to notice of, or to vote at, the Annual Meeting.

ACTION TO BE TAKEN AT THE MEETING

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

1. FOR the election of the three Class II director nominees named herein, to serve for a term of two years each or until their respective successors are elected and qualified; and
2. In the discretion of the proxy holders, as to the transaction of such other business as may properly come before the meeting or any adjournments thereof.

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

QUORUM AND VOTING

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock is necessary to constitute a quorum at the Annual Meeting. In deciding all questions, a holder of Common Stock (a "Shareholder") is entitled to one vote, in person or by proxy, for each share held in his name on the record date. Cumulative voting for the election of directors is not permitted. Thus, a Shareholder is not entitled to cumulate his votes and cast them all for any single nominee or to spread his votes, so cumulated, among more than one nominee. Directors must be elected by a plurality of the votes cast. To be elected as a director, a candidate must be one of the three candidates who receive the most votes out of all votes cast at the Annual Meeting.

A Shareholder who is present, in person or by proxy, and who withholds his vote in the election of directors, will be counted for purposes of determining whether a quorum exists, but the withholding of his vote will not affect the election of directors. A Shareholder who is present, in person or by proxy, and who abstains from voting on other proposals, will be counted for purposes of a quorum, and the abstention will have the same effect as a vote against the proposals. Broker non-votes will be considered shares present and counted for purposes of determining whether a quorum exists if voting instructions are given as to at least one of the matters to be voted on; however, the presence of such shares will have no effect on the outcome of the vote. If a quorum is not present, in person or by proxy, the meeting may adjourn from time to time until a quorum is obtained.

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

judgment. The Board believes that all the nominees will be available to serve as directors. If any nominee is unable to serve, the Board may decide to do one of two things. The Board may recommend a substitute nominee, or the Board may fill the vacancy later. The shares represented by all valid proxies may be voted for the election of a substitute if one is nominated.

PROPOSAL ONE:

ELECTION OF DIRECTORS

The Company's Restated Articles of Incorporation and By-Laws provide that the Board of Directors shall be divided into two Classes. Currently, a former Board member holds one additional Board seat in a non-voting advisory capacity. The advisory position is not elected, but may be appointed from time to time by vote of the Board of Directors for a period of time as approved by the Board. The terms of the three Class II directors expire at the Annual Meeting. The Board has nominated for election at the Annual Meeting all of the incumbent Class II directors. Each nominated director will serve for a term of two years. Each nominee of the Board has expressed his intention to serve the entire term for which election is sought. THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE THREE NOMINEE DIRECTORS.

The following table lists the names and ages, as of October 1, 2003, of the three nominee directors, the four Class I directors whose terms of office will continue after the Annual Meeting, the advisory director, the class to which each director has been or will be elected, the year in which each director was first elected, and the annual meeting (assuming that it is held in December) at which the term of each director will expire.

Nominee Directors	Age	Class	Director Since	Term Expires
Steve A. Ungerman	59	II	1990	2003
F. Jay Taylor	80	II	1994	2003
Steven J. Pully	43	II	2002	2003
Continuing Directors				
Bobby L. Clairday	60	I	1990	2004
Ronald W. Parker	53	I	1993	2004
Butler E. Powell	64	I	1998	2004
Mark E. Schwarz	42	I	2002	2004
Advisory Director				
Ramon D. Phillips (a)	70	n/a	2002	n/a

(a) Mr. Phillips previously served as a Class I Director from 1990 through 2002. The position of Advisory Director is subject to Board discretion.

EXECUTIVE OFFICERS

The following table sets forth certain information, as of October 1, 2003, regarding the Company's executive officers:

Name	Age	Position	Executive Officer Since
Ronald W. Parker	53	President and Chief Executive Officer	1992
B. Keith Clark	40	Senior Vice President- Corporate Development, Secretary, and General Counsel	1997
Ward T. Olgreen	44	Senior Vice President of Franchise Operations and Concept Development	1995
Shawn M. Preator	34	Chief Financial Officer and Vice President of Distribution	1999
Danny K. Meisenheimer	43	Vice President of Marketing	2003
Michael L. Iglesias	42	Vice President of Franchise Development	2001
James D. Shoemake	36	Vice President of Franchise Services	2002
Barry L. Hill	42	Vice President of Training	2002
Brian L. Waters	52	Vice President of Purchasing - Norco Division	2000
Susan A. Milliman	38	Vice President of Recruiting and Employee Services	2001

BIOGRAPHIES OF NOMINEE DIRECTORS, CONTINUING DIRECTORS, AND ADVISORY DIRECTOR

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

Ronald W. Parker was appointed President and Chief Executive Officer of the Company in August 2002. Mr. Parker joined the Company in October 1992 and was elected Executive Vice President, Chief Operating Officer, and a Director in January 1993. He was appointed President in July 2000. From October 1989 to September 1992, he was Executive Vice President and General Manager of the Bonanza restaurant division of Metromedia Steakhouses, Inc. and its predecessor Metsa, Inc. From 1983 to 1989, Mr. Parker served in several executive positions for USACafes, the franchisor of the Bonanza restaurant chain. From 1974 to 1983, Mr. Parker served in several executive positions with Chart House, Inc., a restaurant company with more than 600 units of various brands. He previously worked with a national accounting firm from 1972 to 1974. Mr. Parker also currently serves on the Board of Directors of the Cotton Bowl Athletic Association, the Mississippi State University Foundation, and the Mississippi State University Bulldog Club, Inc. Foundation. Mr. Parker was previously on the Board of Directors of the Mississippi State University Alumni Association.

Butler E. Powell is Vice President of Business Banking with Hibernia National Bank in Metairie, Louisiana. He has served in various capacities with the bank and its predecessors since 1983. He graduated from Loyola University in New Orleans with BBA and MBA degrees and spent 3 1/2 years with the national accounting firm Ernst and Ernst before entering the banking industry. Mr. Powell was former President and a Director of the New Orleans Athletic Club and served on the Foundation Board of East Jefferson Hospital. He was elected a Director of the Company in January 1998.

Steven J. Pully is the President of Newcastle Capital Management, L.P., a private investment management firm that is the general partner of Newcastle Partners, L.P. Mr. Pully is also a director and officer of Geoworks Corporation, a director of Max-Worldwide, Inc. and a director and Chief Executive Officer of privately-held Pinnacle Frames and Accents, Inc. Prior to joining Newcastle Capital Management, L.P. in late 2001, from May 2000 to December 2001, he was a managing director in the mergers and acquisitions department of Banc of America Securities and from January 1997 to May 2000 he was a senior managing director at Bear Stearns. Prior to becoming an investment banker, Mr. Pully practiced securities and corporate law at the law firm Baker & Botts. Mr. Pully is a CPA and a member of the Texas Bar. Mr. Pully was appointed a Director in December 2002 to fill a vacant Class II Board seat.

Mark E. Schwarz is the Chairman, Chief Executive Officer and Portfolio Manager of Newcastle Capital Management, L.P., a private investment management firm he founded in 1992 that is the general partner of Newcastle Partners, L.P. Mr. Schwarz is Chairman of the Board and Chief Executive Officer of Hallmark Financial Services, Inc., a director and Chief Executive Officer of Geoworks Corporation and a director of Bell Industries, Inc., Nashua Corporation, S L Industries and Web Financial Corporation. From 1995 through 1999, he was also a Vice President of Sandera Capital Management and in 1998 and 1999 he was a director of Aydin Corporation. Mr. Schwarz was appointed a Director in December 2002 to fill a vacant Class I Board seat.

F. Jay Taylor is an arbitrator in Ruston, Louisiana who is affiliated with the American Arbitration Association and the Federal Mediation and Conciliation Service. He formerly served as a Director of USACafes, Earth Resources, and Mid South Railroad. He was elected a director of First Guaranty Bank in 2001. Dr. Taylor, who received his Ph.D. from Tulane University, served as President of Louisiana Tech University from 1962 to 1987 and currently serves as its President Emeritus. Mr. Taylor was elected a Director of the Company in 1994.

Steve A. Ungerman is a practicing attorney in Dallas, Texas. From January 1, 1998 through December 31, 2000 he was Of Counsel to the law firm of Boswell & Kober, P.C. From August 1997 to December 1997, he was employed by MedSynergies, Inc., a physician practice management company, in the capacity of Special Projects. From September 1996 to August 1997, he was President of MedSynergies, Inc. From September 1996 to December 1997, he was Of Counsel to the law firm of Ungerman, Sweet & Brousseau. Prior to September 1996, he practiced law as a shareholder of Ungerman & Ungerman, P.C. and its predecessors for 28 years in the areas of business matters, commercial finance and mediation. Mr. Ungerman received his Juris Doctor degree from Southern Methodist University. He was elected a Director and Chairman of the Board of Directors of the Company in September 1990.

Ramon D. Phillips is the former Chairman of the Board, President and Chief Executive Officer of Hallmark Financial Services, Inc., a financial services company. He served as Chairman, President, and Chief Executive Officer of

Hallmark from 1989 through 2000, and as Chairman through August 2001. Prior to Hallmark, Mr. Phillips had over fifteen years experience in the franchise restaurant industry, serving in an executive position with Kentucky Fried Chicken (1969-1974) and Pizza Inn, Inc. (1974-1989). He was elected a Director of the Company in 1990 and served through 2002. He was appointed to the position of advisory director in December 2002.

#### BIOGRAPHIES OF NON-DIRECTOR OFFICERS

B. Keith Clark was appointed Senior Vice President- Corporate Development in October 2002. He joined the Company in February 1997 and was elected General Counsel and Secretary of the Company in March 1997. From June 1994 through February 1997, he was Assistant General Counsel and Assistant Secretary of American Eagle Group, Inc., a property and casualty insurance holding company. From January 1990 through May 1994, Mr. Clark was a corporate associate in the Dallas office of Akin, Gump, Strauss, Hauer & Feld, L.L.P., a diversified international law firm. Mr. Clark served on the Company's Board of Directors from September 2002 through December 2002. Since 1999 Mr. Clark has been a member of the Board of Directors of the Visiting Nurse Association of Texas, a non-profit corporation providing a variety of home health care services, where he currently serves as Vice-Chairman of the Board and Chairman elect.

Ward T. Olgreen was appointed Senior Vice President of Franchise Operations and Concept Development in December 2002. He was appointed Vice President of Concept Development in February 1999, and Senior Vice President of Concept Development in July 2000. He joined the Company in September 1991 and served in a variety of operational positions until his appointment in January 1995 as Vice President of International Operations and Brand R&D. Mr. Olgreen was a Branch Manager for GCS Service, Inc., a restaurant equipment service provider, from June 1986 through July 1991.

Shawn M. Preator was appointed Chief Financial Officer and Vice President of Distribution in October 2002. He was elected Vice President in June 2000. He was elected Controller, Treasurer, and Assistant Secretary in April 1999. Mr. Preator had been Assistant Controller for the Company since July 1998. Prior to joining the Company, Mr. Preator was a Senior Financial Analyst at LSG/Sky Chefs, an international airline caterer, from September 1996 to July 1998. Prior to September 1996, Mr. Preator worked for the accounting firm Ernst & Young LLP in its audit department.

Danny K. Meisenheimer was appointed Vice President of Marketing in January 2003 after joining the Company in December 2002. Prior to joining the Company, Mr. Meisenheimer served as Vice President of Marketing for Furr's Restaurant Group since 1995. Mr. Meisenheimer joined the Marketing Department of Furr's in 1991.

Michael L. Iglesias was appointed Vice President of Franchise Development in May 2001. From May 1996 through May 2001, he was Director of Franchise Development for the Company. Prior to joining the Company, Mr. Iglesias was an Area Sales Representative for TCBY Systems, Inc.

James D. Shoemake was appointed Vice President of Franchise Services in May 2002. Mr. Shoemake had been Division Vice President of Traditional Operations since 2000. He joined the Company in 1997 as a Franchise Operations Consultant. Prior to joining the Company, Mr. Shoemake was an International Business Consultant for European and Asian Markets for Brice Group, Inc.

Barry L. Hill was appointed Vice President of Training in May 2002. Mr. Hill had been Director of Field Training and New Store Opening for the Company since 1999. He joined the Company in 1998 as Training Manager. Prior to joining the Company, Mr. Hill was Director of Training for Whataburger for 15 years.

Brian L. Waters was appointed Vice President of Purchasing - Norco Division in September 2000. He joined the Company in August 1996 as Director of Purchasing. Prior to joining the Company, Mr. Waters was Senior Purchasing Manager for Fast Food Merchandisers from 1993 to 1996.

Susan A. Milliman was appointed Vice President of Recruiting and Employee Services in July 2001. Ms. Milliman had been Director of Human Resources for the Company since 1996. Prior to joining the Company, Ms. Milliman was a Human Resources Generalist for Claim Services Resource Group.

#### SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information, as of October 1, 2003, with respect to the beneficial ownership of Common Stock by: (a) each person known to be a beneficial owner of more than five percent of the outstanding Common Stock; (b) each director, nominee director, and executive officer named in the section entitled "Summary Compensation Table"; and (c) all directors and executive officers as a group (17 persons). Except as otherwise indicated, each of the persons named in the table below is believed by the Company to possess sole voting and investment power with respect to the shares of Common Stock beneficially owned by such person. Information as to the beneficial ownership of Common Stock by directors and executive officers of the Company has been furnished by the respective directors and executive officers.

Name	Shares	Percent
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and Address of	Beneficially	of Class
-----	-----	-----
5% Beneficial Owner	Owned	
-----	-----	
C. Jeffrey Rogers (a) 5529 St. Andrews Ct Plano, Texas 75093	(a)	(a)
Newcastle Partners, L.P. Newcastle Capital Management, L.P. Newcastle Capital Group, L.L.C. (b) 300 Crescent Court, Ste. 1110 Dallas, TX 75201	3,568,100	35.440%
Ronald W. Parker (c) 3551 Plano Parkway The Colony, TX 75056	1,018,173	9.987%
Steve A. Ungerman (d)	30,566	Less than 1%
Butler E. Powell (c)	35,000	Less than 1%
Bobby L. Clairday (e)	48,900	Less than 1%
Steven J. Pully	-0-	-0-
Mark E. Schwarz (b)	3,578,100	35.580%
F. Jay Taylor (c)	20,000	Less than 1%
B. Keith Clark (c)(f)	168,486	1.660%
Ward T. Olgreen (c)	167,739	1.650%
Shawn M. Preator	54,019	Less than 1%
Danny K. Meisenheimer	210	Less than 1%
All Directors and Executive Officers as a Group (g)	5,272,661	52.091 %

(a) Mr. Rogers was a Director and the Company's Chief Executive Officer until August 21, 2002. For additional information, see "Severance Agreement". On August 21, 2002, Mr. Rogers beneficially owned approximately 3,650,000 shares, or approximately 35% of the total shares then outstanding. On January 3, 2003, Mr. Rogers filed with the Securities Exchange Commission a Form 4 Statement of Changes in Beneficial Ownership showing ownership of 205,000 shares, or approximately 2% of the total shares then outstanding. The Company cannot confirm subsequent changes, if any, in Mr. Rogers' ownership position.

(b) Newcastle Capital Management, L.P. is the general partner of Newcastle Partners, L.P., Newcastle Capital Group, L.L.C. is the general partner of Newcastle Management, L.P., and Mark E. Schwarz is the managing partner of Newcastle Partners, L.P. Accordingly, each of Newcastle Management, L.P., Newcastle Group, L.L.C., and Mark E. Schwarz may be deemed to beneficially own the shares of Common Stock beneficially owned by Newcastle Partners, L.P.

(c) Includes vested options and options vesting within 60 days of October 1, 2003 under the Company's stock option plans, as follows: 242,500 shares for Mr. Parker; 12,500 shares for Mr. Powell; 10,000 shares for Mr. Taylor; 106,500 shares for Mr. Clark; 76,500 shares for Mr. Olgreen; and 44,500 shares for Mr. Preator.

(d) Includes 12,283 shares for which Mr. Ungerman shares voting and investment power with his wife.

(e) Includes 18,200 shares for which Mr. Clairday shares voting and investment power with his wife.

(f) Includes 4,000 shares held by K&A Clark Family Partnership, L.P.

(g) Excludes shares owned by Mr. Rogers who was a Director and an executive officer until August 21, 2002.

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

The Board currently consists of seven authorized directors and one non-voting advisory director as described in "Proposal One: Election of Directors" on page 2.

The Board has established Audit, Compensation, Executive, Finance, Nominating and Governance, and Stock Award Plan Committees. The Audit Committee selects independent auditors and reviews audit results. The Compensation Committee reviews and approves remuneration for officers of the Company. The Finance Committee reviews and oversees the Company's capital structure and operating results. The Executive Committee considers business as directed by the Chairman of the Board. The Nominating and Governance Committee considers recommendations for and qualifications of nominees for Director, and provides senior management guidance in matters of the Company's governance. The Nominating and Governance Committee will consider nominees recommended by shareholders. See "Shareholder Proposals" for the procedures required to be followed in submitting such recommendations. The Stock Award Plan Committee administers the 1993 Stock Award Plan and the 1993 Outside Directors Stock Award Plan



As of October 1, 2003, Messrs. Taylor, Powell, Pully, and Ungerman serve on the Audit Committee; Messrs. Powell, Taylor, and Ungerman serve on the Compensation Committee; Messrs. Clairday and Powell serve on the Stock Award Plan Committee; Messrs. Ungerman, Parker, and Schwarz serve on the Executive Committee; Messrs. Schwarz, Parker, Powell, and Taylor, serve on the Finance Committee; and Messrs. Taylor and Powell serve on the Nominating and Governance Committee.

During fiscal year 2003, the Board of Directors held four meetings. The Audit Committee met four times, the Compensation Committee met three times, the Executive Committee met twelve times, and the Finance Committee met four times. In addition, the Board of Directors and the Compensation and Stock Award Plan Committees took several actions by unanimous written consent in lieu of meetings. Each of the directors attended at least three-fourths of the total number of meetings held by the Board and the committees on which he served.

#### COMPENSATION OF DIRECTORS

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

Under the 1993 Outside Directors Stock Award Plan each elected outside director is eligible to receive, as of the first day of the Company's fiscal year, options for Common Stock equal to twice the number of shares of Common Stock purchased during the preceding fiscal year or purchases by exercise of previously granted options during the first ten days of the current fiscal year. On the first day of the first fiscal year immediately following the day on which an outside director first becomes eligible to participate in this plan, that outside director shall receive an option to acquire one share of Common Stock for each share of Common Stock owned by such director on this first day of the fiscal year. No outside director shall be entitled to options for more than 20,000 shares per fiscal year. Stock options granted under the plan have an exercise price equal to the market price of the Common Stock on the date of grant and are first exercisable one year after grant.

Since the beginning of fiscal year 2003, stock options were granted to outside directors pursuant to such plan as follows: on July 1, 2002 options for 10,000 shares were granted to Mr. Powell at an exercise price of \$1.280 per share.

#### AUDIT COMMITTEE REPORT

The Audit Committee of the Board is responsible for providing independent objective oversight of the Company's accounting functions and internal controls. The Audit Committee is composed of four independent directors and acts under a written charter adopted and approved by the Board of Directors on April 15, 2003. Each of the members of the Audit Committee is independent as defined by the National Association of Securities Dealers' listing standards and as required by the Sarbanes-Oxley Act of 2002 ("Act"). After a full review and analysis, the Board of Directors reaffirmed that each member of the Audit Committee is independent within the meaning of Rule 4200(a)(14) of the National Association of Securities Dealers' listing standards and the rules and regulations of the Securities and Exchange Commission (the "SEC"), as such requirements are defined as of the mailing date of this proxy statement. The Board of Directors has also determined that at least one member of the Audit Committee, Mr. Pully, is an "audit committee financial expert" (as defined by SEC rules and regulations). For an overview of Mr. Pully's qualifications, see the section entitled "Biographies of Nominee Directors, Continuing Directors, and Advisory Director" above.

The responsibilities of the Audit Committee include reviewing the financial reports and other financial information provided by the Company to any governmental body or the public; the Company's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and the Company's auditing, accounting, and financial reporting processes generally. Consistent with this function, the Audit Committee encourages continuous improvement of, and adherence to, the Company's policies, procedures, and practices at all levels.

The Committee has been established to: (a) assist the Board in its oversight responsibilities regarding: (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, and (3) the independent accountant's qualifications and independence; (b) prepare the report required by the United States Securities and Exchange Commission (the "SEC") for inclusion in the Company's annual proxy statement; (c) retain and terminate the Company's independent accountant; (d) approve audit and non-audit services to be performed by the independent accountant; and (e) perform such other functions as the Board may from time to time assign to the Committee. In performing its duties, the Committee shall seek to maintain an effective working relationship with the Board, the independent accountant, and management of the Company.

The Audit Committee reviewed and discussed the Company's audited financial statements with management. The Audit Committee also discussed with the

independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees). The Company's independent accountants also provided to the Audit Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with the independent accountants that firm's independence.

The Audit Committee is responsible for recommending to the Board that the Company's financial statements be included in the Company's annual report. Based on the discussions with the independent accountants concerning the audit, the financial statement review, and other such matters deemed relevant and appropriate by the Audit Committee, the Audit Committee recommended to the Board that the June 29, 2003 audited financial statements be included in the Company's 2003 Annual Report on Form 10-K.

In accordance with the rules of the Securities and Exchange Commission, the foregoing information, which is required by Item 7 of Schedule 14A, shall not be deemed to be "soliciting material", or to be "filed" with the Commission or subject to the Commission's Regulation 14A, other than as provided in that Item, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically requests that the information be treated as soliciting material or specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

SUBMITTED BY THE AUDIT COMMITTEE  
OF THE COMPANY'S BOARD OF DIRECTORS

Dr. F. Jay Taylor, Chairman  
Butler E. Powell  
Steven J. Pully  
Steve A. Ungerman

SUMMARY COMPENSATION TABLE

The following table sets forth the annual compensation of the Chief Executive Officer and the other four most highly compensated executive officers of the Company for the fiscal years ended June 29, 2003, June 30, 2002, and June 24, 2001 (designated as years 2003, 2002, and 2001).

Name (and Principal Position)	Year	Annual Compensation			Long-Term Compensation Awards		All Other Compensation (d)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities - Underlying Options (# of shares)	Options	
C. Jeffrey Rogers . . . . .	2003(a)	\$ 126,308	\$ 0	\$ 15,772	0		\$ 422,000
(Former Chief Executive Officer)	2002	\$ 663,523	\$ 361,000	\$ 242,702	0		0
	2001	\$ 619,424	\$ 475,000	\$ 263,233	62,500		0
Ronald W. Parker . . . . .	2003	\$ 537,755	\$ 275,000	\$ 179,050	0		0
(President and Chief Executive Officer)	2002	\$ 507,885	\$ 277,300	\$ 287,863	0		0
	2001	\$ 473,892	\$ 275,000	\$ 203,945	62,500		0
B. Keith Clark (Senior Vice President, Secretary, and General Counsel) . . . . .	2003	\$ 186,035	\$ 53,325	\$ 2,993	0		0
	2002	\$ 161,884	\$ 42,500	\$ 0	0		0
	2001	\$ 148,538	\$ 22,000	\$ 0	40,000		0
Ward T. Olgreen . . . . .	2003	\$ 160,904	\$ 34,700	\$ 3,769	0		0
(Senior Vice President of Franchise Operations and Concept Development)	2002	\$ 147,596	\$ 32,250	\$ 0	0		0
	2001	\$ 134,615	\$ 17,250	\$ 0	37,500		0
Shawn M. Preator . . . . .	2003	\$ 139,650	\$ 42,750	\$ 3,042	0		0
(Chief Financial Officer and Vice President of Distribution)	2002	\$ 107,923	\$ 21,000	\$ 0	0		0
	2001	\$ 92,737	\$ 22,500	\$ 0	36,000		0
Danny K. Meisenheimer . . . . .	2003	\$ 65,244	\$ 13,000	\$ 0	0		0
Vice President of Marketing (c )							



(a) Mr. Rogers was a Director and the Company's Chief Executive Officer until August 21, 2002. Figures shown are for the period July 1, 2002 through August 21, 2002. For additional information, see "Severance Agreement".

(b) Includes: for Mr. Rogers, life insurance benefits (which includes the payment of related taxes) of \$86,489 in 2002 and 2001, supplemental retirement benefits (which includes the payment of related taxes) of \$43,860 in 2002 and 2001, and life and disability insurance benefits (which includes the payment of related taxes) of \$11,050 in 2003, and \$43,860 in 2002 and 2001; for Mr. Parker, in 2003 a \$150,000 allowance for life and disability benefits, secondary medical benefits, and supplemental retirement benefits, a car allowance of \$17,330 in 2003, and life insurance benefits (which includes the payment of related taxes) of \$10,879 in 2003, and \$77,546 in 2002 and 2001, supplemental retirement benefits (which includes the payment of related taxes) of \$43,860 in 2002 and 2001, and life and disability insurance benefits (which includes the payment of related taxes) of \$43,860 in 2002 and 2001; in 2003 a car allowance of \$2,993 for Mr. Clark, \$3,769 for Mr. Olgreen, and \$3,042 for Mr. Preator.

(c) Includes compensation for Mr. Meisenheimer from his employment date of December 31, 2002.

(d) Amounts paid pursuant to Severance Agreement dated August 21, 2002, as follows: severance payments of \$195,000 and \$120,000; \$50,000 for continuing insurance coverage; \$25,000 for executive recruiting services; and \$32,000 for legal expenses. For additional information, see "Severance Agreement".

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

The following table sets forth information regarding stock options exercised during fiscal year 2003 and unexercised stock options held at the end of fiscal year 2003 by the Chief Executive Officer and the other four most highly compensated executive officers of the Company. The closing bid price for the Company's Common Stock, as reported by the National Association of Securities Dealers Automated Quotation System, was \$2.15 on June 27, 2003, the last trading day of the Company's fiscal year.

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Unexercised Options at Fiscal Year End (Exercisable/ Unexercisable)(#)		Value of Unexercised In-the-Money Options at Fiscal Year End (Exercisable/ Unexercisable)
Ronald W. Parker	--	--	242,500 -0-	(e) (u)	\$ -0- \$ -0-
B. Keith Clark	--	--	106,500 -0-	(e) (u)	\$ 4,500 \$ -0-
Ward T. Olgreen	--	--	76,500 -0-	(e) (u)	\$ 4,500 \$ -0-
Shawn M. Preator	--	--	44,500 -0-	(e) (u)	\$ 4,500 \$ -0-
Danny K. Meisenheimer	--	--	-0- -0-	(e) (u)	\$ -0- \$ -0-
C. Jeffrey Rogers (a)	--	--	-0- -0-	(e) (u)	\$ -0- \$ -0-

(a) Mr. Rogers was a Director and the Company's Chief Executive Officer until August 21, 2002. For additional information, see "Severance Agreement" below.

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

OPTION GRANTS IN LAST FISCAL YEAR

During fiscal year 2003 the Company did not grant any stock options to the Chief Executive Officer or any of the other four most highly compensated executive officers of the Company.

## Individual Grants

Potential Realizable Value at  
Assumed Annual Rates of Stock  
Price Appreciation for Option  
Term

Name	Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5%	10%
Ronald W. Parker	0	-	\$ -	-	\$ -	\$-
B. Keith Clark	0	-	\$ -	-	\$ -	\$-
Ward T. Olgreen	0	-	\$ -	-	\$ -	\$-
Shawn M. Preator	0	-	\$ -	-	\$ -	\$-
Danny K. Meisenheimer	0	-	\$ -	-	\$ -	\$-
C. Jeffrey Rogers (a)	0	-	\$ -	-	\$ -	\$-

(a) Mr. Rogers was a Director and the Company's Chief Executive Officer until August 21, 2001. For additional information, see "Severance Agreement" below.

COMPENSATION COMMITTEE AND STOCK AWARD PLAN COMMITTEE  
REPORT ON EXECUTIVE COMPENSATION

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

The Compensation Committee and the Board have adopted a charter for the Compensation Committee to conform to the Committee's responsibilities to the revised standards of Nasdaq, new rules adopted by the Securities and Exchange Commission, and the provisions of the Sarbanes-Oxley Act of 2002.

In its administration and periodic review of executive compensation, the Compensation Committee believes in aligning the interests of the executive officers with those of the Company's shareholders. To accomplish this, the Compensation Committee seeks to structure and maintain a compensation program that is directly and materially linked to operating performance and enhancement of shareholder value.

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

CHIEF EXECUTIVE OFFICER

The salary and bonus of Ronald W. Parker, Chief Executive Officer of the Company from August 21, 2002, is determined by the Compensation Committee.

In reviewing Mr. Parker's agreement, the Compensation Committee found his compensation terms to be in line with compensation packages of chief executive officers at similar companies. The bonus program established in Mr. Parker's agreement was based on Company performance related to revenue, net income, new store openings, store sales, Company stock price, store closings, and Company expenses. Termination provisions were found to be industry competitive and in line with historical performance and expected future contributions, and help to ensure his continued leadership. See section entitled "Executive Employment Contracts".

FORMER CHIEF EXECUTIVE OFFICER

The salary and bonus of C. Jeffrey Rogers, Chief Executive Officer of the Company through August 21, 2002, was paid pursuant to his most recent Employment Agreement, effective as of July 1, 1999, as amended on April 20, 2001.

EXECUTIVE OFFICERS

Salaries of the executive officers, excluding Mr. Parker, are reviewed annually and adjusted based on competitive practices, changes in level of responsibilities and individual performance measured versus goals. The Compensation Committee strongly believes that maintaining a competitive salary structure is in the best interest of shareholders. It believes the Company's long-term success in its marketplace is best achieved through recruitment and

retention of high caliber executives who are highly skilled in the industry.

Bonus targets for the four most highly paid executive officers, other than the Chief Executive Officer, are set annually. The 2003 bonuses for Mr. Clark, Mr. Olgreen, Mr. Preator, and Mr. Meisenheimer were based on individual performance, the performance of departments within their responsibility, and certain goals related to Company operations for the fiscal year.

#### STOCK OPTIONS

The Company established the 1993 Stock Award Plan for the purpose of aligning employee and shareholder interests. Under this plan, stock options are granted from time to time to certain executive officers, as well as other employees, based upon their relative positions and responsibilities, as well as historical and expected contributions to Company growth. During fiscal year 2003, the Company did not grant stock options to employees.

Submitted by the:

#### COMPENSATION COMMITTEE

Butler E. Powell, Chairman  
F. Jay Taylor  
Steve A. Ungerman

#### STOCK AWARD PLAN COMMITTEE

Bobby L. Clairday, Chairman  
Butler E. Powell

#### EXECUTIVE EMPLOYMENT CONTRACTS

Ronald W. Parker, B. Keith Clark, Ward T. Olgreen and Shawn M. Preator each entered into an Employment Agreement with the Company on December 16, 2002 which contained the following provisions: (i) a term that currently extends through December 31, 2007 for Mr. Parker and December 31, 2005 for Messrs. Clark, Olgreen and Preator; (ii) the respective executive's compensation will be determined each year by the Compensation Committee; (iii) each executive may be terminated with or without cause, with cause including, but not limited to, breach of monetary obligation to the Company, violation of the employment agreement, fraud against the Company and failure to substantially perform required duties, each as described in such agreement; (iv) each executive shall receive an annual salary not less than his current salary and a bonus for Mr. Parker of not less than fifty percent of his annual salary based on Company performance related to revenue, net income, new store openings, store sales, Company stock price, store closings, and Company expenses, and a bonus for each of Messrs. Clark, Olgreen and Preator of not less than twenty percent of their respective annual salary based on individual performance, the performance of departments within their responsibility, and certain goals related to Company operations for the fiscal year; (v) each executive is bound by obligations to the Company related to the protection of the Company's trade secrets and confidential information; and (vi) each executive is bound to arbitrate disputes related to their employment agreement.

Mr. Parker, Mr. Clark, Mr. Olgreen, or Mr. Preator may terminate their respective agreements at any time within six months after a "change in control" of the Company occurs or within twelve months under certain circumstances after a change in control of the Company occurs. Change in control is defined as: (a) a transfer of substantially all of the assets of the Company to any person, group or entity other than a person, group or entity that is controlled by the executive; (b) the Company is merged with or into another corporation and the stockholders of the Company prior to such merger own less than 50% of the voting stock of the Company or other surviving corporation after the merger; (c) an unapproved change in the majority of the Company's Board of Directors; or (d) a person, entity or group (other than (i) the Company or (ii) an employee benefit plan sponsored by the Company) acquires 50% or more of the voting stock of the Company. If the Company terminates Mr. Parker's employment without cause, or if Mr. Parker terminates his employment upon a "change in control," he will be entitled to a lump sum payment equal to four times (i) his highest annual salary over the last three years plus (ii) the highest bonus and other cash compensation received by Mr. Parker during the last three years. If the Company terminates Mr. Clark's, Mr. Olgreen's, or Mr. Preator's employment without cause, or if Mr. Clark, Mr. Olgreen, or Mr. Preator terminates his employment upon a "change of control", he will be entitled to a lump sum payment equal to two and one-half times the base amount of his annual compensation, as calculated according to Section 280G of the Internal Revenue Code. Each agreement includes a noncompetition covenant that would apply for a stated number of years after termination of employment. The number of years for the non-competition covenant is equal to the number of years by which the respective executive's compensation is multiplied pursuant to any severance payments made to such executive.

C. Jeffrey Rogers and the Company entered into an Employment Agreement, executed October 1, 1999 and effective as of July 1, 1999, and an Amendment to the Employment Agreement executed April 20, 2001, for a term to extend through June 30, 2004. Mr. Rogers' employment agreement terminated upon his resignation from the Company on August 21, 2002. Certain benefits and payments to Mr. Rogers' provided for in the agreement ceased at that time. See the section below entitled "Severance Agreement".

## SEVERANCE AGREEMENT

On August 21, 2002, Mr. Rogers and the Company entered into a Severance Agreement and Release (the "Severance Agreement") in connection with Mr. Rogers' resignation of this position as a Director and Chief Executive Officer of the Company. Pursuant to the terms of the Severance Agreement, Mr. Rogers agreed, among other things, to (1) resign from all positions with the Company and its affiliates, (2) generally release the Company from potential claims that he might have against the Company, including any claims for severance payment under his employment agreement, (3) not disclose the Company's confidential information, and (4) enter into a covenant not to sue the Company, its affiliates, officers, or employees. In return, the Company agreed to pay Mr. Rogers approximately \$415,000, consisting of accrued vacation, severance pay, life insurance premiums, executive recruiting assistance, and legal fees, plus the amount of any unpaid salary through August 21, 2002.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On October 6, 1999, the Company loaned C. Jeffrey Rogers, the Company's Chief Executive Officer, approximately \$1.95 million to acquire 700,000 shares of the Company's Common Stock through the exercise of vested stock options previously granted to him by the Company. The interest rate on the loan was the same floating interest rate the Company pays on its credit facility with Wells Fargo (Texas), N. A. ("Wells Fargo"). As collateral for the loan, Mr. Rogers granted the Company a second lien on 2,749,000 shares of the Company's Common Stock and certain real property. The Company agreed to subordinate its loan to an existing personal loan made by Wells Fargo to Mr. Rogers. The Wells Fargo loan was secured by a first lien on the collateral pledged to the Company. The principal amount outstanding at all times during fiscal year 2002 was approximately \$1,949,000. In August 2002, the Board, based upon a review of certain financial information provided by Mr. Rogers, determined that the collection of the promissory note was doubtful. The Company recorded a charge in the fourth quarter of fiscal 2002 to fully reserve for the possible nonpayment. On August 21, 2002, Mr. Rogers resigned from the Company. On December 9, 2002, Mr. Rogers repaid the loan to the Company, including all accrued interest expense and related costs. The Company reversed the pre-tax reserve in the second quarter of fiscal 2003.

On October 6, 1999, the Company loaned Ronald W. Parker, the Company's President and Chief Operating Officer, approximately \$557,000 to acquire 200,000 shares of the Company's Common Stock through the exercise of vested stock options previously granted to him by the Company. On July 7, 2000, the Company loaned Mr. Parker approximately \$302,000 to acquire an additional 200,000 shares of the Company's Common Stock through the exercise of vested stock options previously granted to him by the Company. The interest rate on the loans is the same floating interest rate the Company pays on its credit facility with Wells Fargo. As collateral for the loans, Mr. Parker granted the Company (i) a first lien on 100,000 previously purchased shares of the Company's Common Stock and certain real property, and (ii) a second lien in certain additional real property. After the July 7 loan, the principal amount outstanding was \$859,000. Mr. Parker paid the Company approximately \$170,000 of the principal amount, leaving a current principal loan balance at fiscal year end of approximately \$689,000. All amounts are due and payable on each loan on June 30, 2004.

The Board of Directors approved each loan, with the specific terms and collateral being approved by the Compensation Committee.

Bobby L. Clairday is President and sole shareholder of Clairday Food Services, Inc. and is sole shareholder of Advance Food Services, Inc., both of which are franchisees of the Company. Mr. Clairday also holds area development rights in his own name. Mr. Clairday currently operates 12 restaurants in Arkansas, either individually or through the corporations noted above. As franchisees, the two corporations purchase a majority of their food and other supplies from the Company's distribution division. In fiscal year 2003, purchases by these franchisees made up 6% of the Company's food and supply sales, and royalties, license fees, and area development fees from Mr. Clairday and such franchisees made up 4% of the Company's franchise revenues.

## INDEPENDENT AUDITORS

For the Company's fiscal year beginning June 30, 2003, the Audit Committee has selected BDO Seidman LLP certified public accountants as the independent auditors of the Company for fiscal year 2004. A representative of BDO Seidman LLP will be present at the Annual Meeting, will be available to respond to appropriate questions, and will have an opportunity to make a statement.

For fiscal 2004, BDO Seidman replaces PricewaterhouseCoopers LLP, which was the Company's independent auditor for the fiscal year ending June 29, 2003. The Company does not anticipate that a representative of PricewaterhouseCoopers will be present at the Annual Meeting, nor does it anticipate that a representative will be available to make a statement or to answer questions. The decision to change accountants was made by vote of the Board's Audit Committee, and the dismissal of PricewaterhouseCoopers became effective on October 8, 2003. During fiscal years 2002 and 2003, there were no disagreements between the Company's senior management and PricewaterhouseCoopers' senior audit personnel on any

matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure such that would have caused PricewaterhouseCoopers to have made reference to the subject matter of such disagreements in connection with its audit report.

**AUDIT FEES.** The aggregate fees billed by PricewaterhouseCoopers LLP for professional services rendered for the audit of the Company's annual financial statements for the year ended June 29, 2003 and the reviews of the financial statements included in the Company's Forms 10-Q for that year were \$129,540.

**FINANCIAL INFORMATION SYSTEM DESIGN AND IMPLEMENTATION FEES.** During fiscal year 2003, PricewaterhouseCoopers LLP did not bill the Company for any professional services for financial information systems design and implementation.

**ALL OTHER FEES.** All other fees billed by PricewaterhouseCoopers LLP for fiscal year 2003 totaled \$62,580, including audit-related services of \$13,656 and non-audit services of \$48,924. Non-audit services generally include fees for a change in a tax accounting method, tax return preparation, foreign tax analysis and calculation, and review of the Company's Franchise Offering Circular.

In considering and authorizing these payments to PricewaterhouseCoopers LLP for services unrelated to performance of the audit of the Company's financial statements, the Audit Committee has determined that the change in tax accounting method services, tax return preparation, foreign tax analysis and calculation, and review of the Company's franchise offering circular undertaken by PricewaterhouseCoopers LLP are not inconsistent with its performance of the audit and financial statement review functions and are compatible with maintaining its independence.

#### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 ("Act") requires the Company's executive officers and directors and the persons who own more than ten percent of the Company's Common Stock to file initial reports of ownership of Common Stock and reports of changes of ownership with the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. and to furnish the Company with copies of such reports. The Company believes that, during the preceding fiscal year, all of the Company's executive officers, directors, and holders of more than 10% of its Common Stock timely filed all reports required by Section 16(a) of the Exchange Act.

#### SHAREHOLDER PROPOSALS

If a shareholder wishes to present a proposal at the Annual Meeting of Shareholders tentatively scheduled for December 14, 2004, the shareholder must deliver his or her proposal to the Company at its principal executive offices no later than July 7, 2004, in such form as required under rules issued by the Securities and Exchange Commission, in order to have that proposal included in the proxy materials of the Company for such Annual Meeting of Shareholders.

If a shareholder intends to submit a matter for consideration at next year's meeting, other than by submitting a proposal to be included in the Company's proxy statement, the shareholder must give timely notice according to the Company's bylaws. Those bylaws provide that, to be timely, a shareholder's notice must be received by the Company's Corporate Secretary at 3551 Plano Parkway, The Colony, Texas 75056, by October 25, 2004 but not before September 30, 2004. For each matter the shareholder intends to bring before the meeting, the notice must specify: (a) the name and address of the shareholder as they appear on the books of the Company; (b) the class and number of shares of the Company's stock that are beneficially owned by the shareholder; (c) any material interest of the shareholder in the proposed business described in the notice; (d) if such business is a nomination for director, each nomination sought to be made, together with the reasons for each nomination, a description of the qualifications and business or professional experience of each proposed nominee and a statement signed by each nominee indicating his or her willingness to serve if elected, and disclosing the information about him or her that is required by the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder to be disclosed in the proxy materials for the meeting involved if he or she were a nominee of the Company for election as one of its directors; (e) if such business is other than a nomination for director, the nature of the business, the reasons why it is sought to be raised and submitted for a vote of the shareholders and if and why it is deemed by the shareholder to be beneficial to the Company; and (f) if so requested by the Company, all other information that would be required to be filed with the Securities and Exchange Commission (the "SEC") if, with respect to the business proposed to be brought before the meeting, the person proposing such business was a participant in a solicitation subject to Section 14 of the Exchange Act.

#### STOCK PERFORMANCE GRAPH

The following graph compares the cumulative annual total shareholder return (change in share price plus reinvestment of any dividends) on the Company's Common Stock versus two indexes for the past five fiscal years. The graph assumes \$100 was invested on the last trading day of the fiscal year ending June 28, 1998. Prior to the first quarter of fiscal year 1998 and subsequent to the second quarter of fiscal year 2001, the Company did not pay cash dividends on



its Common Stock during the applicable period. The Dow Jones Equity Market Index is a published broad equity market index. The Dow Jones Entertainment and Leisure Restaurant Index is compiled by Dow Jones and Company, Inc., and is comprised of seven public companies, weighted for the market capitalization of each company, engaged in restaurant or related businesses (CKE Restaurants, Inc., Brinker International, Inc., Cracker Barrel Old Country Store, Inc., Darden Restaurants, Inc., McDonald's Corporation, Tricon Global Restaurants, Inc., and Wendy's International, Inc.).

	Cumulative Total Return					
	6/28/1998	6/27/1999	6/25/2000	6/24/2001	6/30/2002	6/29/2003
PIZZA INN, INC. . . . .	100.00	69.93	75.45	48.48	28.60	48.03
DOW JONES US TOTAL MARKET	100.00	115.99	131.10	111.93	92.17	93.20
DOW JONES US RESTAURANTS.	100.00	111.42	88.09	90.35	107.16	96.08

MISCELLANEOUS

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

A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K EXCLUDING EXHIBITS, DATED SEPTEMBER 25, 2003, IS BEING FURNISHED TO SHAREHOLDERS WITH THIS PROXY STATEMENT. COPIES OF SUCH EXHIBITS WILL BE FURNISHED UPON WRITTEN REQUEST AND UPON REIMBURSEMENT OF THE COMPANY'S REASONABLE EXPENSES FOR FURNISHING SUCH EXHIBITS. REQUESTS SHOULD BE ADDRESSED TO PIZZA INN, INC., 3551 PLANO PARKWAY, THE COLONY, TEXAS 75056, ATTENTION: CORPORATE SECRETARY.



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

Please mark Your votes as indicated in this example. [X]

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITEM 1.  
Item 1. ELECTION OF CLASS II DIRECTORS.

Nominees: Steven J. Pully,  
F. Jay Taylor,  
Steve A. Ungerman

FOR WITHHELD FOR ALL WITHHELD FOR: (Write that nominee's name in the space provided below).  
[ ] [ ] \_\_\_\_\_

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

WILL ATTEND [ ]

Date: , 2003

Signature

Signature if held jointly

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

FOLD AND DETACH HERE

PROXY

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

3551 PLANO PARKWAY  
THE COLONY, TEXAS 75056

ANNUAL MEETING OF SHAREHOLDERS ON DECEMBER 16, 2003

The undersigned, revoking all proxies heretofore given, hereby appoints B. Keith Clark and Shawn M. Preator, or either of them, as proxies of the undersigned, with full power of substitution and resubstitution, to vote on behalf of the undersigned the shares of Pizza Inn, Inc. (the "Company") that the undersigned is entitled to vote at the Annual Meeting of Shareholders to be held at 11:00 a.m., Dallas time, on Tuesday, December 16, 2003, at the Company's corporate offices, 3551 Plano Parkway, The Colony, Texas 75056, and at all adjournments thereof, as fully as the undersigned would be entitled to vote if personally present, as specified on the reverse side of this card and on such other matters as may properly come before the meeting or any adjournments thereof. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

