

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 28, 2004.

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 IN ITS CHARTER)

MISSOURI 47-0654575
(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER
INCORPORATION OR ORGANIZATION) IDENTIFICATION NO.)

3551 PLANO PARKWAY
THE COLONY, TEXAS 75056
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES,
INCLUDING ZIP CODE)

(469) 384-5000
(REGISTRANT'S TELEPHONE NUMBER,
INCLUDING AREA CODE)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR 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 WHETHER THE REGISTRANT IS AN ACCELERATED FILER (AS DEFINED IN RULE 12 B-2 OF THE EXCHANGE ACT). YES NO [X]

INDICATE BY CHECK MARK WHETHER THE REGISTRANT HAS FILED ALL DOCUMENTS AND REPORTS REQUIRED TO BE FILED BY SECTIONS 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 [X] NO

AT MAY 3, 2004, AN AGGREGATE OF 10,083,674 SHARES OF THE REGISTRANT'S COMMON STOCK, PAR VALUE OF \$.01 EACH (BEING THE REGISTRANT'S ONLY CLASS OF COMMON STOCK), WERE OUTSTANDING.

PIZZA INN, INC.

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	MARCH 28, 2004	MARCH 30, 2003	MARCH 28, 2004	MARCH 30, 2003
REVENUES:				
Food and supply sales	\$ 12,774	\$ 12,311	\$ 39,304	\$ 39,114
Franchise revenue	1,323	1,347	4,038	3,957
Restaurant sales	452	446	1,234	1,366
Other income	94	94	212	286
	-----	-----	-----	-----
	14,643	14,198	44,788	44,723
	-----	-----	-----	-----
COSTS AND EXPENSES:				
Cost of sales	11,877	11,562	36,548	36,134
Franchise expenses	851	972	2,393	2,515
General and administrative expenses	829	907	2,832	1,556
Interest expense	150	188	470	622
	-----	-----	-----	-----
	13,707	13,629	42,243	40,827
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	936	569	2,545	3,896
Provision for income taxes	319	193	866	1,325
	-----	-----	-----	-----
NET INCOME	\$ 617	\$ 376	\$ 1,679	\$ 2,571
	=====	=====	=====	=====
BASIC EARNINGS PER COMMON SHARE	\$ 0.06	\$ 0.04	\$ 0.17	\$ 0.26
	=====	=====	=====	=====
DILUTED EARNINGS PER COMMON SHARE	\$ 0.06	\$ 0.04	\$ 0.17	\$ 0.26
	=====	=====	=====	=====
WEIGHTED AVERAGE COMMON SHARES	10,079	10,059	10,070	10,058
	=====	=====	=====	=====
WEIGHTED AVERAGE COMMON AND POTENTIAL DILUTIVE COMMON SHARES	10,132	10,064	10,114	10,061
	=====	=====	=====	=====

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	MARCH 28, 2004	MARCH 30, 2003	MARCH 28, 2004	MARCH 30, 2003
Net Income	\$ 617	\$ 376	\$ 1,679	\$ 2,571
Interest rate swap gain (loss) - (net of tax (expense) benefit of (\$20) and (\$15) and \$75 and \$130, respectively)	38	29	(145)	(252)
	-----	-----	-----	-----
Comprehensive Income	\$ 655	\$ 405	\$ 1,534	\$ 2,319

See accompanying Notes to Consolidated Financial Statements.

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

ASSETS	MARCH 28, 2004	JUNE 29, 2003
	-----	-----
	(UNAUDITED)	
CURRENT ASSETS		
Cash and cash equivalents	\$ 212	\$ 399
Accounts receivable, less allowance for doubtful accounts of \$308 and \$722, respectively	3,991	3,730
Notes receivable, current portion, less allowance for doubtful accounts of \$54 and \$175, respectively	244	260
Inventories	1,811	1,511
Deferred taxes, net	265	585
Prepaid expenses and other	481	533
	-----	-----
Total current assets	7,004	7,018
Property, plant and equipment, net	12,889	13,126
Property under capital leases, net	60	120
Deferred taxes, net	196	382
Long-term notes receivable, less allowance for doubtful accounts of \$8 and \$19, respectively	-	41
Deposits and other	1,023	109
	-----	-----
	\$ 21,172	\$ 20,796
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 2,140	\$ 1,217
Accrued expenses	2,229	1,950
Current portion of long-term debt	510	1,448
Current portion of capital lease obligations	45	109
	-----	-----
Total current liabilities	4,924	4,724
LONG-TERM LIABILITIES		
Long-term debt	8,165	9,643
Long-term capital lease obligations	26	33
Other long-term liabilities	767	989
	-----	-----
	13,882	15,389
	-----	-----
SHAREHOLDERS' EQUITY		
Common Stock, \$.01 par value; authorized 26,000,000 shares; issued 14,981,319 and 14,956,319 shares, respectively; outstanding 10,083,674 and 10,058,674 shares, respectively	150	150
Additional paid-in capital	7,875	7,825
Loans to officers	(560)	(569)
Retained earnings	19,815	18,135
Accumulated other comprehensive loss	(506)	(650)
Treasury stock at cost		
Shares in treasury: 4,897,645 and 4,897,645 respectively	(19,484)	(19,484)
	-----	-----
Total shareholders' equity	7,290	5,407
	-----	-----
	\$ 21,172	\$ 20,796
	=====	=====

See accompanying Notes to Consolidated Financial Statements.

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

NINE MONTHS ENDED

MARCH 28, 2004	MARCH 30, 2003
-----	-----

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$	1,679	\$	2,571
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and amortization		827		1,103
Non-cash settlement of accounts receivable		(281)		-
Recovery of bad debt, net		(249)		(1,830)
Utilization of deferred taxes		467		445
Utilization of pre-reorganization net operating loss carryforwards		-		1,131
Changes in assets and liabilities:				
Notes and accounts receivable		(236)		(115)
Inventories		(300)		(182)
Accounts payable - trade		923		173
Accrued expenses		279		(525)
Prepaid expenses and other		330		163
		-----		-----
CASH PROVIDED BY OPERATING ACTIVITIES		3,439		2,934
		-----		-----

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of assets		38		-
Reacquisition of area development territory		(682)		-
Capital expenditures		(554)		(261)
		-----		-----
CASH USED FOR INVESTING ACTIVITIES		(1,198)		(261)
		-----		-----

CASH FLOWS FROM FINANCING ACTIVITIES:

Borrowings of long-term bank debt		127		500
Repayments of long-term bank debt and capital lease obligations		(2,614)		(5,710)
Officer loan payment		9		1,951
Proceeds from exercise of stock options		50		-
		-----		-----
CASH USED FOR FINANCING ACTIVITIES		(2,428)		(3,259)
		-----		-----

Net decrease in cash and cash equivalents		(187)		(586)
Cash and cash equivalents, beginning of period		399		770
		-----		-----
Cash and cash equivalents, end of period	\$	212	\$	184
		-----		-----

See accompanying Notes to Consolidated Financial Statements.

PIZZA INN, INC.
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION
 (IN THOUSANDS)
 (UNAUDITED)

	NINE MONTHS ENDED	
	-----	-----
	MARCH 28, 2004	MARCH 30, 2003
	-----	-----

CASH PAYMENTS FOR:

Interest	\$	478	\$	627
Income taxes		309		-

NON-CASH FINANCING AND INVESTING ACTIVITIES:

Non-cash settlement of accounts receivable	\$	281	\$	-
--	----	-----	----	---

See accompanying Notes to Consolidated Financial Statements.

PIZZA INN, INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

(1) The accompanying condensed consolidated financial statements of Pizza Inn, Inc. (the "Company") have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements have been omitted pursuant to such rules and regulations. The condensed consolidated financial statements should be read in conjunction with the notes to the Company's audited condensed consolidated financial statements in its Form 10-K

for the fiscal year ended June 29, 2003.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to fairly present the Company's financial position and results of operations for the interim periods. All adjustments contained herein are of a normal recurring nature.

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 No. 123. 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):

	NINE MONTHS ENDED	
	-----	-----
	MARCH 28,	MARCH 30,
	2004	2003
	-----	-----
Net income, as reported.	\$ 1,679	\$ 2,571
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects.	(1)	(15)
Pro forma net income	\$ 1,678	\$ 2,556
Earnings per share		
Basic-as reported.	\$ 0.17	\$ 0.26
Basic-pro forma.	\$ 0.17	\$ 0.25
Diluted-as reported.	\$ 0.17	\$ 0.26
Diluted-pro forma.	\$ 0.17	\$ 0.25

The effects of applying SFAS No. 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.

The Company entered into an agreement effective March 28, 2004 with its current lender to provide a \$4.0 million revolving credit line that will expire October 1, 2005, replacing a \$7.0 million line that was due to expire December 31, 2004. 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 0.5% or, at the Company's option, at the LIBOR rate plus 1.25% to 1.75%. 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. As of March 28, 2004 and March 30, 2003, the variable interest rates were 2.59% and 3.06%, respectively, using a LIBOR rate basis. Amounts outstanding under the revolving credit line as of March 28, 2004 and March 30, 2003 were \$1.3 million and \$2.7 million, respectively.

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 \$104,000 and \$1.4 million at March 28, 2004 and March 30, 2003, respectively. The term note 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%. As of March 28, 2004 and March 30, 2003, the variable interest rates were 2.63% and 2.81%, 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%. As of March 28, 2004 and March 30, 2003, the variable interest rates were 2.59% and 2.78%, 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 \$7.2 million at March 28, 2004 and \$7.6 million at March 30, 2003.

(3) 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 March 28, 2004 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.

(4) On April 30, 1998, Mid-South Pizza Development, Inc. ("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. Effective December 28, 2003, the Company reacquired all such area development rights from Mid-South. The Company paid approximately \$963,000 for these rights of which \$682,000 was a cash payment, and a non-cash settlement of accounts receivable of approximately \$281,000. A long-term asset was recorded for the same amount. Restaurants operating or developed in the reacquired territory will now pay all royalties and franchise fees directly to Pizza Inn, Inc. The asset will be amortized against actual incremental cash flows received, which is estimated to be approximately five years.

(5) 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 are vigorously defending 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.

All of the parties to this matter have entered into a settlement agreement under which the Company would pay an amount that would not materially affect our financial performance. Final approval of this settlement agreement is subject to court approval and no assurances can be given that such approval will be obtained. The settlement terms currently agreed to and pending court approval, have been provided for in the Company's financial statements.

(6) On April 21, 2004 the Company's board of directors, following the recommendation of the shareholders at its annual meeting held February 11, 2004, approved the reimbursement of expenses for Newcastle Partners' proxy solicitation efforts related to matters presented for a vote at the Company's annual shareholder meeting. The Company has established a reserve during its fiscal third quarter of approximately \$176,000 to fund reimbursement of these expenses.

(7) In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51," ("FIN 46"). FIN 46 requires the consolidation of entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity.

In October 2003, the FASB issued Staff Position No. 46-6, "Effective Date of FASB Interpretation No. 46, Consolidation of Variable Interest Entities," ("FSP FIN 46-6") in which the FASB deferred, for public companies, the required effective dates to implement FIN 46 for interests held in a variable interest entity ("VIE") or potential VIE that was created before February 1, 2003.

In December 2003, the FASB published a revision to FIN 46 to clarify some of the provisions and to exempt certain entities from its requirements. Under the new guidance, special effective date provisions apply to enterprises that have fully or partially applied FIN 46 prior to issuance of the revised interpretation. Otherwise, application of Interpretation 46R ("FIN 46R") is required in financial statements of public entities that have interests in structures that are commonly referred to as special-purpose entities ("SPEs") for periods ending after December 15, 2003. Application by public entities, other than small business issuers, for all other types of VIEs other than SPEs is required in financial statements for periods ending after March 15, 2004.

The Company does not have any interests in structures commonly referred to as SPEs, typically has no equity ownership interests in its franchisees, and has not consolidated any of these entities in the Company's financial statements. The Company will continue to monitor developments regarding the Interpretation as they occur. Implementation of this pronouncement in the third fiscal quarter of 2004 did not have a material impact on the financial statements.

(8) The proxy contest in connection with the Company's most recent annual meeting resulted in three nominees of Newcastle Partners, L.P. ("Newcastle") (i.e. Ramon D. Phillips, Robert B. Page, and Steven J. Pully) being elected as Class II members of the Board of Directors at the meeting.

In Part II, Item 5 of the Company's report on Form 10-Q for the quarter ended September 28, 2003, filed with the Securities and Exchange Commission on November 12, 2003, the Company expressed concern that election of Newcastle's nominees might result in a "Change of Control" as defined in the employment agreements executed on December 16, 2002 between the Company and each of Ronald W. Parker, B. Keith Clark, Ward T. Olgreen and Shawn M. Preator. In the report, the Company summarized the issue as follows:

Whether or not a Change of Control is deemed to have occurred is a function of whether or not two existing directors, Messrs. Schwarz and Pully, and a nominee director, Mr. Phillips, currently an advisory director, are incumbent directors, as that term is defined in the employment agreements. If a Change of Control were to occur and any or all of these executive officers were to terminate their employment for any reason (including the voluntary termination of employment by such officer) as provided in the employment agreements within twelve months after such Change of Control, the Company would be required to make a lump sum payment to such officer which would have a material adverse effect on the Company's financial position and results of operations.

After filing its Form 10-Q for the quarter ended September 28, 2003, the Company sought a legal opinion on the "Change of Control" issue from its outside legal counsel, which delivered its opinion on November 26, 2003. The Company's definitive proxy statement, filed with the Securities and Exchange Commission on January 7, 2004, contained the following commentary regarding the "Change of Control" issue:

Counsel to the Company has delivered to the Board its written legal opinion that, subject to the assumptions, limitations, qualifications and exceptions contained therein, it is of the opinion that a Texas court in a properly presented and argued case should conclude that Messrs. Schwarz, Pully, Phillips and Page would not constitute members of the Incumbent Board and therefore, if the Newcastle nominees are elected to the Board in connection with a proxy contest, a "Change of Control" as defined in the employment agreements discussed above would be deemed to occur. Counsel for Newcastle has informed counsel to the Company that they disagree with this opinion. Additionally, Messrs. Schwarz and Pully have informed the Board that they believe themselves to be incumbent directors.

Newcastle's definitive proxy statement, filed with the Securities and Exchange Commission on January 2, 2004, expressed a different view of the "Change of Control" issue:

We believe that Messrs. Schwarz and Pully are "Incumbent Directors" under a plain reading of the employment agreements as they were appointed by an agreement of a majority of the Pizza Inn Board and not due to an "actual or threatened solicitation of proxies." We also believe that Mr. Phillips should be deemed an "Incumbent Director" if elected by virtue of the fact that he was a director of the Company at the time the new employment agreements were adopted by the Pizza Inn Board.

After the shareholder meeting, the newly constituted Audit Committee of the Board of Directors commenced an investigation to determine whether a "Change of Control" had occurred under the employment agreements as a result of the election of Newcastle's nominees. In connection with this investigation, the Audit Committee engaged independent legal counsel to advise the Audit Committee.

On May 4, 2004, the Audit Committee's independent legal counsel delivered its legal opinion to the Audit Committee, opining that a Texas court in a properly presented and argued case should conclude that no Change of Control has occurred under the employment agreements of Messrs. Parker, Clark, Olgreen and Preator at any time since December 16, 2002. In addition to certain assumptions, limitations, qualifications and exceptions, the opinion was based on counsel's conclusion that Mr. Phillips is among the individuals constituting the Incumbent Board.

Based on the opinion of the Audit Committee's independent legal counsel, the Audit Committee, on May 10, 2004, concluded that there has been no "Change of Control" and recommended that the Board of Directors reach the same conclusion. Based on such recommendation, the Board of Directors, on May 11, 2004, concluded that there has been no "Change of Control."

(9) 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
	-----	-----	-----
THREE MONTHS ENDED MARCH 28, 2004			
BASIC EPS			
Income Available to Common Shareholders	\$ 617	10,079	\$ 0.06
Effect of Dilutive Securities - Stock Options		53	
		--	
DILUTED EPS			
Income Available to Common Shareholders & Assumed Conversions	\$ 617	10,132	\$ 0.06
	=====	=====	=====
THREE MONTHS ENDED MARCH 30, 2003			
BASIC EPS			
Income Available to Common Shareholders	\$ 376	10,059	\$ 0.04
Effect of Dilutive Securities - Stock Options		5	
		--	
DILUTED EPS			
Income Available to Common Shareholders & Assumed Conversions	\$ 376	10,064	\$ 0.04
	=====	=====	=====
NINE MONTHS ENDED MARCH 28, 2004			
BASIC EPS			
Income Available to Common Shareholders	\$1,679	10,070	\$ 0.17
Effect of Dilutive Securities - Stock Options		44	
		--	
DILUTED EPS			
Income Available to Common Shareholders & Assumed Conversions	\$1,679	10,114	\$ 0.17
	=====	=====	=====
NINE MONTHS ENDED MARCH 30, 2003			
BASIC EPS			
Income Available to Common Shareholders	\$2,571	10,059	\$ 0.26
Effect of Dilutive Securities - Stock Options		2	
		--	
DILUTED EPS			
Income Available to Common Shareholders & Assumed Conversions	\$2,571	10,061	\$ 0.26
	=====	=====	=====

(10) Summarized in the following tables are net sales and operating revenues, operating profit, and geographic information (revenues) for the Company's reportable segments for the three month and nine month periods ended March 28, 2004 and March 30, 2003 (in thousands).

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	-----		-----	
	MARCH 28, 2004	MARCH 30, 2003	MARCH 28, 2004	MARCH 30, 2003
	-----	-----	-----	-----
NET SALES AND OPERATING REVENUES:				
Food and Equipment Distribution	\$ 12,774	\$ 12,311	\$ 39,304	\$ 39,114
Franchise and Other	1,775	1,793	5,272	5,323
Intersegment revenues	173	164	536	515
	-----	-----	-----	-----
Combined	14,722	14,268	45,112	44,952
Other revenues	94	94	212	286
Less intersegment revenues	(173)	(164)	(536)	(515)
	-----	-----	-----	-----
Consolidated revenues	\$ 14,643	\$ 14,198	\$ 44,788	\$ 44,723
	=====	=====	=====	=====
OPERATING PROFIT:				
Food and Equipment Distribution (1)	\$ 952	\$ 513	\$ 2,237	\$ 1,909

Franchise and Other (1)	487	528	1,727	1,928
Intersegment profit	51	47	142	143
	-----	-----	-----	-----
Combined	1,490	1,088	4,106	3,980
Other profit or loss	94	94	212	286
Less intersegment profit	(51)	(47)	(142)	(143)
Corporate administration and other	(597)	(566)	(1,631)	(227)
	-----	-----	-----	-----
Income before taxes	\$ 936	\$ 569	\$ 2,545	\$ 3,896
	=====	=====	=====	=====

GEOGRAPHIC INFORMATION (REVENUES):				
United States	\$ 14,295	\$ 13,863	\$ 43,723	\$ 43,892
Foreign countries	348	335	1,065	831
	-----	-----	-----	-----
Consolidated total	\$ 14,643	\$ 14,198	\$ 44,788	\$ 44,723
	=====	=====	=====	=====

(1) Does not include full allocation of corporate administration.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

 RESULTS OF OPERATIONS

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis is based on the Company's condensed consolidated financial statements and related footnotes contained within this report. The Company's critical accounting policies used in the preparation of those condensed 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, trade receivables and equipment purchases. These notes generally have terms ranging from one to five years and interest rates of 6% to 9%. 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.

The Company assesses its exposures to loss contingencies including legal and income tax matters based upon factors such as the current status of the cases and consultations with external counsel and provides for an exposure if it

is judged to be probable and estimable. If the actual loss from a contingency differs from management's estimate, operating results could be impacted.

RESULTS OF OPERATIONS

QUARTER AND NINE MONTHS ENDED MARCH 28, 2004 COMPARED TO THE QUARTER AND NINE MONTHS ENDED MARCH 30, 2003.

Earnings per share for the quarter were \$0.06 versus \$0.04 for the same period last year. Net income was \$617,000 versus \$376,000, on revenues of \$14,643,000 versus \$14,198,000 in the previous year. For the nine month period, earnings per share were \$0.17 versus \$0.26 last year. Net income was \$1,679,000 compared to \$2,571,000 on revenues of \$44,788,000 versus \$44,723,000 last year. The quarter that ended March 28, 2004 included a pretax adjustment of \$285,000 to a previously recorded legal reserve. The Company and all other parties in the previously disclosed class-action fax litigation have entered into a settlement agreement, which is awaiting court approval. Excluding the above-described adjustment of approximately \$188,000 (after-tax), or \$0.02 per share, net income of \$617,000, or \$0.06 per share, for the quarter ended March 28, 2004 was \$429,000 or \$0.04 per share.

Food and supply sales by the Company's Norco division include food and paper products, equipment, marketing material, and other distribution revenues. Food and supply sales for the quarter increased 4% or \$463,000 to \$12,774,000 from \$12,311,000 compared to the same period last year. For the nine month period, food and supply sales increased less than 1% or \$190,000, to \$39,304,000 from \$39,114,000. These increases are primarily due to higher chainwide retail sales for the quarter combined with higher cheese prices year-to-date.

Franchise revenue, which includes income from royalties, license fees and area development and foreign master license (collectively, "Territory") sales, decreased 2% or \$24,000 for the quarter compared to the same period last year and increased 2% or \$81,000 for the nine month period. The decrease for the quarter is due to a reduction in foreign master license fees which was partially offset by higher domestic and international royalties. The increase for the nine month period is due primarily to higher international royalties, including the collection of previously unrecorded past due royalties.

Restaurant sales, which consist of revenue generated by Company-owned training stores increased 1% or \$6,000 for the quarter, compared to the same period of the prior year. For the nine month period, restaurant sales decreased 10% or \$132,000. The Company opened a new Delco unit on January 9, 2004. The Company also sold an existing Buffet unit effective March 1, 2004. The year-to-date decrease is the result of lower comparable sales and one less month of operations due to the unit sale as described above.

Other income consists primarily of interest income, third party commissions, and non-recurring revenue items. Other income remained unchanged for the quarter, compared to the same period of the prior year. For the nine month period, other income decreased 26% or \$74,000, due to lower commissions and lower interest income.

Cost of sales increased 3% or \$315,000 for the quarter and increased 1% or \$414,000 for the nine month period. These increases are due to higher cheese prices partially offset by lower depreciation and amortization expenses and lower transportation costs. Cost of sales, as a percentage of sales for the quarter decreased to 90% from 91% for the same period last year. Cost of sales, as a percentage of sales for the nine month period increased to 90% from 89% for the same period last year.

Franchise expenses include selling, general and administrative expenses directly related to the sale and continuing service of franchises and Territories. These costs decreased 12% or \$121,000 for the quarter and decreased 5% or \$122,000 for the nine month period compared to the same period last year. These decreases are primarily the result of lower taxes on foreign revenues and lower payroll and related expenses.

General and administrative expenses decreased 9% or \$78,000 for the quarter and increased 82% or \$1,276,000 for the nine month period, compared to the same periods last year. The quarterly decrease is due to the reversal of the previously recorded legal reserve as discussed above which was partially offset by a \$176,000 reserve for the reimbursement of expenses for Newcastle Partners' proxy solicitation efforts. The nine month period increase is the result of the reversal of a previously recorded pre-tax charge of approximately \$1,950,000 for bad debt in the prior year partially offset by lower payroll and related expenses.

Interest expense decreased 20% or \$38,000 for the quarter and 24% or \$152,000 for the nine month period, compared to the same periods of the prior year due to lower debt balances and lower interest rates.

Provision for income taxes increased 65% or \$126,000 for the quarter, and decreased 35% or \$459,000 for the nine month period compared to the same periods in the prior year. The effective tax rate was 34% for both the current and prior quarters and nine month periods.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities are generally the result of net income, deferred taxes, depreciation and amortization, and changes in working capital. In the first nine months of fiscal 2004, the company generated cash flows of \$3,439,000 from operating activities as compared to \$2,934,000 in fiscal 2003. Cash provided by operations was utilized primarily to pay down debt.

Cash flows from investing activities primarily reflect the Company's capital expenditure strategy. During the first nine months of fiscal 2004, the Company used cash of \$1,198,000 for investing activities as compared to \$261,000 in fiscal 2003. The cash used during fiscal 2004 consisted primarily of the reacquisition of area development rights as described above, and costs associated with a Company-owned store which opened in January 2004.

Cash flows from financing activities generally reflect changes in the Company's borrowings during the period, treasury stock transactions, and exercise of stock options. Net cash used for financing activities was \$2,428,000 during the first nine months of fiscal 2004 as compared to cash used for financing activities of \$3,259,000 in fiscal 2003.

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 \$137,556 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's prior net operating loss carryforwards and alternative minimum tax carryforwards have now been fully utilized and the Company began making estimated quarterly tax payments in January 2004.

The Company entered into an agreement effective March 28, 2004 with its current lender to provide a \$4.0 million revolving credit line that will expire October 1, 2005, replacing a \$7.0 million line that was due to expire December 31, 2004. 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 0.5% or, at the Company's option, at the LIBOR rate plus 1.25% to 1.75%. 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. As of March 28, 2004 and March 30, 2003, the variable interest rates were 2.59% and 3.06%, respectively, using a LIBOR rate basis. Amounts outstanding under the revolving credit line as of March 28, 2004 and March 30, 2003 were \$1.3 million and \$2.7 million, respectively.

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 \$104,000 and \$1.4 million at March 28, 2004 and March 30, 2003, respectively. The term note 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%. As of March 28, 2004 and March 30, 2003, the variable interest rates were 2.63% and 2.81%, 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%. As of March 28, 2004 and March 30, 2003, the variable interest rates were 2.59% and 2.78%, 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 \$7.2 million at March 28, 2004 and \$7.6 million at March 30, 2003.

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 March 28, 2004 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.

On April 30, 1998, Mid-South Pizza Development, Inc. ("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. Effective December 28, 2003, the Company reacquired all such area development rights from Mid-South. The Company paid approximately \$963,000 for these rights of which \$682,000 was a cash payment, and a non-cash settlement of accounts receivable of approximately \$281,000. A long-term asset was recorded for the same amount. Restaurants operating or developed in the reacquired territory will now pay all royalties and franchise fees directly to Pizza Inn, Inc. The asset will be amortized against actual incremental cash flows received, which is estimated to be approximately five years.

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 are vigorously defending 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.

All of the parties to this matter have entered into a settlement agreement under which the Company would pay an amount that would not materially affect our financial performance. Final approval of this settlement agreement is subject to court approval and no assurances can be given that such approval will be obtained. The settlement terms currently agreed to and pending court approval, have been provided for in the Company's financial statements.

On April 21, 2004 the Company's board of directors, following the recommendation of the shareholders at its annual meeting held February 11, 2004, approved the reimbursement of expenses for Newcastle Partners' proxy solicitation efforts related to matters presented for a vote at the Company's annual shareholder meeting. The Company has established a reserve during its fiscal third quarter of approximately \$176,000 to fund reimbursement of these expenses.

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 March 28, 2004 (in thousands):

	Total.	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Bank debt	\$ 8,675	\$ 510	\$ 2,545	\$5,620	\$ -
Operating lease obligations	3,132	1,111	1,582	348	91
Capital lease obligations (1)	71	45	22	4	-
Total contractual cash obligations.	<u>\$11,878</u>	<u>\$1,666</u>	<u>\$ 4,149</u>	<u>\$5,972</u>	<u>\$91</u>

(1) Does not include amount representing interest.

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 this report, the words "anticipate," "believe," "estimate," "expect," "intend" and 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT 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 March 28, 2004 the Company has approximately \$8.7 million of variable rate debt obligations outstanding with a weighted average interest rate of 2.63%. A hypothetical 10% change in the effective interest rate for these borrowings, assuming debt levels at March 28, 2004, would change interest expense by approximately \$19,000 for the nine months ended March 28, 2004. As discussed previously, the Company has entered into an interest rate swap designed to manage the interest rate risk relating to \$7.2 million of the variable rate debt.

ITEM 4. CONTROLS AND PROCEDURES

a) Evaluation of disclosure controls and procedures. Based on their evaluation as of a date within 90 days of the filing date of this Quarterly Report on Form 10-Q, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act")) are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Our Chief Executive Officer and our Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report, and they have concluded that as of that date our disclosure controls and procedures were effective at ensuring that required information will be disclosed on a timely basis in our reports filed under the Exchange Act.

b) Changes in internal controls. There were no significant changes to our internal controls or in other factors that could significantly affect our internal controls subsequent to the date of their evaluation by our Chief Executive Officer and our Chief Financial Officer. There were no significant deficiencies or material weaknesses, and therefore there were no corrective actions taken.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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 are vigorously defending 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.

All of the parties to this matter have entered into a settlement agreement under which the Company would pay an amount that would not materially affect our financial performance. Final approval of this settlement agreement is subject to court approval and no assurances can be given that such approval will be obtained. The settlement terms currently agreed to and pending court approval, have been provided for in the Company's financial statements.

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

At the Annual Meeting of Shareholders on February 11, 2004 five matters were submitted to a vote of shareholders. Those matters and the results of the vote for each are as follows:

Item 1. Election of Class II Directors

Nominee	For	Votes Withheld
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Robert B. Page	5,506,809	14,025
Ramon D. Phillips	5,512,895	14,025
Steven J. Pully	6,198,964	112,207

Item 2. Approval to adopt a resolution to repeal the following amendment of the Amended and Restated Bylaws of the Company adopted on December 18, 2002: Amendment to Article III, Section 7 that eliminates the ability of shareholders to call a special meeting of shareholders.

Votes for	5,648,318
Votes against	655,894
Abstain	20,884

Item 3. Approval to adopt a resolution to repeal the following amendment of the Amended and Restated Bylaws of the Company adopted on December 18, 2002: New Article III, Section 13 that requires shareholders to comply with certain procedures in order to bring business before a shareholders meeting.

Votes for	5,693,889
Votes against	606,963
Abstain	23,884

Item 4. Approval to adopt a resolution to repeal the following amendment of the Amended and Restated Bylaws of the Company adopted on December 18, 2002: New Article IV, Section 6 that requires shareholders to comply with certain procedures in order to nominate directors.

Votes for	5,700,154
Votes against	600,706
Abstain	23,836

Item 5. Approval to adopt a resolution recommending to the Board of Directors of the Company that the Company reimburse Newcastle Partners, L.P. for all expenses it incurs in connection with its solicitation of proxies for the Annual Meeting.

Votes for	5,871,073
Votes against	809,953
Abstain	83,670

ITEM 5. OTHER INFORMATION

The proxy contest in connection with the Company's most recent annual meeting resulted in three nominees of Newcastle Partners, L.P. ("NewCastle") (i.e. Ramon D. Phillips, Robert B. Page, and Steven J. Pully) being elected as Class II members of the Board of Directors at the meeting.

In Part II, Item 5 of the Company's report on Form 10-Q for the quarter ended September 28, 2003, filed with the Securities and Exchange Commission on November 12, 2003, the Company expressed concern that election of Newcastle's nominees might result in a "Change of Control" as defined in the employment agreements executed on December 16, 2002 between the Company and each of Ronald W. Parker, B. Keith Clark, Ward T. Olgreen and Shawn M. Preator. In the report, the Company summarized the issue as follows:

Whether or not a Change of Control is deemed to have occurred is a function of whether or not two existing directors, Messrs. Schwarz and Pully, and a nominee director, Mr. Phillips, currently an advisory director, are incumbent directors, as that term is defined in the employment agreements. If a Change of Control were to occur and any or all of these executive officers were to terminate their employment for any reason (including the voluntary termination of employment by such officer) as provided in the employment agreements within twelve months after such Change of Control, the Company would be required to make a lump sum payment to such officer which would have a material adverse effect on the Company's financial position and results of operations.

After filing its Form 10-Q for the quarter ended September 28, 2003, the Company sought a legal opinion on the "Change of Control" issue from its outside legal counsel, which delivered its opinion on November 26, 2003. The Company's definitive proxy statement, filed with the Securities and Exchange Commission on January 7, 2004, contained the following commentary regarding the "Change of Control" issue:

Counsel to the Company has delivered to the Board its written legal opinion that, subject to the assumptions, limitations, qualifications and exceptions contained therein, it is of the opinion that a Texas court in a properly presented and argued case should conclude that Messrs. Schwarz, Pully, Phillips and Page would not constitute members of the Incumbent Board and therefore, if the Newcastle nominees are elected to the Board in connection with a proxy

contest, a "Change of Control" as defined in the employment agreements discussed above would be deemed to occur. Counsel for Newcastle has informed counsel to the Company that they disagree with this opinion. Additionally, Messrs. Schwarz and Pully have informed the Board that they believe themselves to be incumbent directors.

Newcastle's definitive proxy statement, filed with the Securities and Exchange Commission on January 2, 2004, expressed a different view of the "Change of Control" issue:

We believe that Messrs. Schwarz and Pully are "Incumbent Directors" under a plain reading of the employment agreements as they were appointed by an agreement of a majority of the Pizza Inn Board and not due to an "actual or threatened solicitation of proxies." We also believe that Mr. Phillips should be deemed an "Incumbent Director" if elected by virtue of the fact that he was a director of the Company at the time the new employment agreements were adopted by the Pizza Inn Board.

After the shareholder meeting, the newly constituted Audit Committee of the Board of Directors commenced an investigation to determine whether a "Change of Control" had occurred under the employment agreements as a result of the election of Newcastle's nominees. In connection with this investigation, the Audit Committee engaged independent legal counsel to advise the Audit Committee.

On May 4, 2004, the Audit Committee's independent legal counsel delivered its legal opinion to the Audit Committee, opining that a Texas court in a properly presented and argued case should conclude that no Change of Control has occurred under the employment agreements of Messrs. Parker, Clark, Olgreen and Preator at any time since December 16, 2002. In addition to certain assumptions, limitations, qualifications and exceptions, the opinion was based on counsel's conclusion that Mr. Phillips is among the individuals constituting the Incumbent Board.

Based on the opinion of the Audit Committee's independent legal counsel, the Audit Committee, on May 10, 2004, concluded that there has been no "Change of Control" and recommended that the Board of Directors reach the same conclusion. Based on such recommendation, the Board of Directors, on May 11, 2004, concluded that there has been no "Change of Control."

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K
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(a) Exhibits:

10.1 First amendment to third amended and restated loan agreement between the Company and Wells Fargo Bank (Texas), N.A. dated April 22, 2004 but effective March 28, 2004.

10.2 Seventh amended and restated revolving credit note agreement between the Company and Wells Fargo Bank (Texas), N.A. dated April 22, 2004 but effective March 28, 2004.

31.1 Certification of Chief Executive Officer as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Form 8-K

On January 23, 2004 the Company filed a report on Form 8-K, reporting a press release with respect to earnings for the second quarter ended December 28, 2003.

On February 8, 2004 the Company filed a report on Form 8-K, reporting management performance from August 2002 to December 2003.

On February 11, 2004 the Company filed a report on Form 8-K, announcing the results of its annual shareholder meeting.

On April 23, 2004 the Company filed a report on Form 8-K, reporting a press release with respect to earnings for the third quarter ended March 28, 2004.

SIGNATURES

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

PIZZA INN, INC.
Registrant

By: /s/Ronald W. Parker

Ronald W. Parker
President and Chief Executive Officer

By: /s/Shawn M. Preator

Shawn M. Preator
Chief Financial Officer

Dated: May 12, 2004

THIS FIRST AMENDMENT TO THE THIRD AMENDED AND RESTATED LOAN AGREEMENT (hereinafter referred to as the "AMENDMENT") is to be effective as of March 28, 2004, between PIZZA INN, INC., a Missouri corporation ("BORROWER") and WELLS FARGO BANK (TEXAS), NATIONAL ASSOCIATION, a national banking association (the "BANK").

RECITALS

A. WHEREAS, Bank and Borrower entered into a Third Amended and Restated Loan Agreement, dated as of January 22, 2003, but effective as of December 29, 2002 (the "LOAN AGREEMENT").

B. Bank and Borrower desire to amend the Loan Agreement as hereinafter 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, intending to be legally bound, hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. Definitions. Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the same meaning as in the Agreement, as amended hereby.

ARTICLE II
AMENDMENTS

Section 2.01. Amendment to Section 1.1. Certain defined terms in Section 1.1 of the Loan Agreement are hereby amended as follows:

(a) "Default Rate" means the lesser of (i) the Maximum Rate or (ii) the sum of the Prime Rate in effect from day to day plus five percent (5.00%).

(b) "Facility Fee" means Ten Thousand and No/100th Dollars (\$10,000.00).

(c) "LIBOR Rate Margin" means 1.25%.

(d) "Prime Rate Margin" means 0.00%.

(e) "Revolving Credit Commitment" means the obligation of the Bank to make Revolving Credit Advances hereunder in an aggregate principal amount at any one time outstanding up to but not exceeding Four Million and No/100th Dollars (\$4,000,000.00), as the same may be terminated pursuant to Section 13.2.

(f) "Revolving Credit Note" means the Seventh Amended and Restated Revolving Credit Note executed by the Borrower and payable to the order of the Bank in the aggregate principal amount of the Revolving Credit Commitment, in substantially the form of Exhibit A hereto, together with all amendments, modification and renewals thereof.

(g) "Termination Date" means 10:00 A.M. Dallas, Texas time on October 1, 2005, or such earlier date and time on which the Revolving Credit Commitment terminates as provided in this Agreement; provided, however, if such date is not a Business Day, the "Termination Date" shall be the first Business Day following such date.

(h) A new definition shall be inserted after "Subsidiary" to read as follows:

"Tangible Net Worth" means stockholders' equity minus the aggregate of any treasury stock, any intangible assets and any obligations due from stockholders, employees and/or affiliates.

Section 2.02. Amendment to Section 2.7. Section 2.7 shall be deleted in its entirety and replaced with the following:

"Section 2.7 Commitment Fee/Facility Fee.

(a) The Borrower agrees to pay to the Bank a Commitment Fee (herein so called) on the daily average unused amount of the Revolving Credit Commitment, for the period from and including the date of this Agreement to and including the Termination Date, at the Commitment Fee Rate based on a 360 day year and the actual number of days elapsed. The accrued Commitment Fee shall be payable in arrears on each Monthly Payment Date and on the Termination Date. For the purpose of calculating the Commitment Fee, the Revolving Credit Commitment shall be deemed utilized to the extent of all outstanding Revolving Credit Advances and Letter of Credit Liabilities.

(b) Borrower also agrees to pay to the Bank annually the Facility Fee payable in advance on each March 28th during the term of this Agreement and on the Termination Date."

Section 2.03. Amendment to Section 2.8. Section 2.8 shall be deleted in its

entirety and replaced with the following:
"Section 2.8 Intentionally Deleted."

Section 2.04. Amendment to Article XII, Financial Covenants. Article XII

shall be deleted in its entirety and replace with the following:
"ARTICLE XII.

Financial Covenants

The Borrower covenants and agrees that, as long as the Obligations or any part thereof are outstanding or any Bank has any Commitment hereunder, the Borrower will perform and observe the following financial covenants, such performance and observance to be evidenced and tested for compliance as of the end of each fiscal quarter:

Section 12.1. Fixed Charge Coverage Ratio. The Borrower will maintain,

for the 12-month period ending on the last day of each fiscal quarter, a Fixed Charge Coverage Ratio of not less than 1.50 to 1.00.

Section 12.2 Tangible Net Worth. Borrower will maintain at all times

Tangible Net Worth of not less than \$5,500,000 plus 75% of net income after taxes, excluding any fiscal quarters in which net income is negative.

Section 12.3 Profitable Operations. Borrower will not sustain (i) a

net loss in excess of \$100,000 for any fiscal quarter, (ii) an aggregate net loss for any two (2) consecutive fiscal quarters, or (iii) a net loss for any fiscal year."

Section 2.05. Amendment to Section 13.1(a). Section 13.1(a) shall be

amended by deleting the words "Section 2.8 or" in the first sentence.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.01. Conditions. The effectiveness of this Amendment is subject to

the satisfaction of the following conditions precedent, unless specifically waived by Bank:

(a) Bank shall have received the following documents, each in form and substance satisfactory to Bank:

(i) This Amendment, duly executed by Borrower;

(ii) The Seventh Amended and Restated Revolving Credit Note duly executed by Borrower; and

(iii) Officer's Certificate dated as of the date of this Amendment, in form and substance satisfactory to Bank, certified by the Secretary of the Borrower certifying among other things, that the party signing this Amendment on behalf of the Borrower has full authority to do so;

(b) The representations and warranties contained herein, in the Loan Agreement, as amended hereby, and in each other Loan Document shall be true and correct as of the date hereof, as if made on the date hereof;

(c) No Event of Default shall have occurred and be continuing and no Default shall exist, unless such Event of Default or Default has been specifically waived in writing by Bank;

(d) 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 Bank; and

(e) Borrower shall have paid to the Bank the Facility Fee.

ARTICLE IV

RATIFICATIONS, REPRESENTATIONS AND WARRANTIES

Section 4.01. 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 and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. Borrower and Bank agree that the Loan Agreement, as amended hereby, and

the other Loan Documents shall continue to be legal, valid, binding and enforceable in accordance with their respective terms.

Section 4.02. Representations and Warranties. Borrower hereby represents and

warrants to Bank as follows:

(a) the execution, delivery and performance of this Amendment and any and all other Loan Documents executed and/or delivered in connection herewith have been authorized by all requisite corporate action on the part of Borrower and do not and will not conflict with or violate any provision of any applicable law, the Articles of Incorporation or Bylaws of Borrower or any agreement, document, judgment, license, order or permit applicable to or binding upon any of the Borrower or its Collateral. No consent, approval, authorization or order of and no notice to or filing with, any court or governmental authority or third person is required in connection with the execution, delivery or performance of this Amendment or to consummate the transactions contemplated hereby;

(b) 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, except to the extent such representations and warranties relate to an earlier date;

(c) Borrower is in full compliance with all covenants and agreements contained in the Loan Agreement, as amended hereby, and the other Loan Documents; and

(d) Borrower has not amended its Articles of Incorporation or Bylaws or

other organizational documents since the date of the execution of the Loan Agreement.

ARTICLE V
MISCELLANEOUS

Section 5.01. Survival of Representations and Warranties. All

representations and warranties made in this Amendment or any other document or documents relating thereto, including, without limitation, any Loan Document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by Bank shall affect the representations and warranties or the right of Bank to rely upon them.

Section 5.02. Reference to Loan 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 5.03. Expenses of Agent. As provided in the Loan Agreement,

Borrower agrees to pay on demand all reasonable costs and expenses incurred by Bank in connection with the preparation, negotiation and execution of this Amendment and the other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements hereto, including, without limitation, the reasonable costs and fees of Bank's legal counsel, and all reasonable costs and expenses incurred by 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 reasonable costs and fees of Bank's legal counsel.

Section 5.04. RELEASE. BORROWER HEREBY ACKNOWLEDGES THAT IT HAS NO DEFENSE,

COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF ITS LIABILITY TO REPAY THE OBLIGATIONS OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM THE BANK. BORROWER HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES BANK, ITS PREDECESSORS, AGENTS, EMPLOYEES, DIRECTORS, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY, ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS AMENDMENT IS EXECUTED, WHICH THE BORROWER MAY NOW OR HEREAFTER HAVE AGAINST THE BANK, ITS PREDECESSORS, AGENTS, EMPLOYEES, DIRECTORS, SUCCESSORS AND ASSIGNS, IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM ANY OF THE OBLIGATIONS, INCLUDING, WITHOUT LIMITATION, ANY CONTRACTING FOR, CHARGING, TAKING, RESERVING, COLLECTING OR RECEIVING INTEREST IN EXCESS OF THE HIGHEST LAWFUL RATE APPLICABLE, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE LOAN AGREEMENT OR OTHER LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS AMENDMENT.

Section 5.05. 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 5.06. APPLICABLE LAW. THIS AMENDMENT AND ALL OTHER LOAN DOCUMENTS

EXECUTED PURSUANT HERTO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN DALLAS, TEXAS, AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

Section 5.07. Successors and Assigns. This Amendment is binding upon and

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

Section 5.08. 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. The parties agree that this Amendment may be executed and delivered via facsimile and any such facsimile copy of any such document shall be considered to have the same binding legal effect as an original copy and each party hereby agrees that it shall not raise the use of a facsimile copy as a defense to this Amendment and forever waives any such defense. Furthermore, at the request of any party, a party executing and delivering this Amendment by facsimile copy shall re-execute an original copy in replacement.

Section 5.09. Effect of Waiver. No consent or waiver, express or implied,

by Bank to or for any breach of or deviation from any covenant or condition of this Amendment shall be deemed a consent or waiver to or of any other breach of the same or any other covenant, condition or duty.

Section 5.10. Headings. The headings, captions, and arrangements used in

this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

Section 5.11. FINAL AGREEMENT. THE LOAN AGREEMENT, AS AMENDED HEREBY, AND

THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES RELATED TO THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[The Remainder of this Page Intentionally Left Blank]

FIRST AMENDMENT TO THIRD AMENDED AND RESTATED LOAN AGREEMENT

IN WITNESS WHEREOF, the Borrower and Bank have caused this Amendment to be executed on the date first written above by their duly authorized officers.

PIZZA INN, INC.
a Missouri corporation

By: /s/Ronald W. Parker
Name: Ronald W. Parker
Title: President and Chief Executive Officer

WELLS FARGO BANK (TEXAS), NATIONAL ASSOCIATION, a national banking association

By: /s/Ralph Hamm III
Name: Ralph C. Hamm III
Title: Assistant Vice President

\$4,000,000.00 DALLAS, TEXAS TO BE EFFECTIVE AS OF MARCH 28, 2004

FOR VALUE RECEIVED, the undersigned, PIZZA INN, INC., a Missouri corporation (the "Borrower"), hereby promises to pay to the order of WELLS FARGO

BANK (TEXAS), NATIONAL ASSOCIATION, a national banking association (the "Bank"),

at its office located at 1445 Ross Avenue, Dallas, Texas 75265, on or before October 1, 2005, in lawful money of the United States of America and in immediately available funds, the principal sum of Four Million and No/100 Dollars (\$4,000,000.00) or such lesser amount as shall equal the aggregate unpaid principal amount of the Existing Loans and any additional Advances made by the Bank to the Borrower under Article II of the Loan Agreement referred to below, and to pay interest on the amount of each such Advance, at such office, in like money and funds, for the period commencing on the date of such Advance until such Advance shall be paid in full, at the rates per annum and on the dates provided in the Loan Agreement (as hereinafter defined).

The Borrower hereby authorizes the Bank to record in Bank's internal records the amount and Type of Advances made to the Borrower by the Bank and all Continuances, Conversions, and payments of principal in respect of such Advances, which records shall, in the absence of manifest error, be conclusive as to the outstanding principal amount of all such Advances; provided, however, that the failure to make such notation with respect to any such Advance or payment shall not limit or otherwise affect the obligations of the Borrower under the Loan Agreement or this Note.

This Note is the Seventh Amended and Restated Revolving Credit Note referred to in the First Amendment to the Third Amended and Restated Loan Agreement dated as of the date hereof, between the Borrower and the Bank (as the same may be amended, modified, or supplemented from time to time, being referred to herein as the "Loan Agreement"), and evidences the Existing Loans and all

additional Advances made by the Bank pursuant to Article II thereof. The Loan Agreement, among other things, contains provisions for acceleration of the maturity of this Note upon the happening of certain stated events and also for prepayments of Advances prior to the maturity of this Note upon the terms and conditions specified in the Loan Agreement. Capitalized terms used in this Note and not otherwise defined herein have the respective meanings assigned to them in the Loan Agreement.

Notwithstanding anything to the contrary contained herein, no provision of this Note shall require the payment or permit the collection of interest in excess of the Maximum Rate. If any excess of interest in such respect is herein provided for, or shall be adjudicated to be so provided, in this Note or otherwise in connection with this loan transaction, the provisions of this paragraph shall govern and prevail, and neither the Borrower nor the sureties, guarantors, successors or assigns of the Borrower shall be obligated to pay the excess amount of such interest, or any other excess sum paid for the use, forbearance or detention of sums loaned pursuant hereto. If for any reason interest in excess of the Maximum Rate shall be deemed charged, required or permitted by any court of competent jurisdiction, any such excess shall be applied as a payment and reduction of the principal of indebtedness evidenced by this Note; and, if the principal amount hereof has been paid in full, any remaining excess shall forthwith be paid to the Borrower. In determining whether or not the interest paid or payable exceeds the Maximum Rate, the Borrower and the Bank shall, to the extent permitted by applicable law, (i) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the entire contemplated term of the indebtedness evidenced by this Note so that the interest for the entire term does not exceed the Maximum Rate.

This Note shall be governed by and construed in accordance with the laws of the State of Texas and the applicable laws of the United States of America. This Note is performable in Dallas County, Texas.

This Note is given in renewal, extension and modification of, but not extinguishment or novation of, the indebtedness evidenced by that certain Sixth Amended and Restated Revolving Credit Note dated as of January 22, 2003 but effective as of December 29, 2002, in the original principal amount of \$7,000,000 executed by the Borrower and payable to the order of the Bank.

The Borrower and each surety, guarantor, endorser, and other party ever liable for payment of any sums of money payable on this Note jointly and severally waive notice, presentment, demand for payment, protest, notice of protest and non-payment or dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, diligence in collecting, grace, and all other formalities of any kind, and consent to all extensions without notice for any period or periods of time and partial payments, before or after maturity, and any impairment of any collateral securing this Note, all without prejudice to the holder. The holder shall similarly have the right to deal in any way, at any time, with one or more of the foregoing parties without notice to any other party, and to grant any such party any extensions of time for payment of any of said indebtedness, or to release or substitute part or all of the collateral securing this Note, or to grant any other indulgences or forbearances whatsoever, without notice to any other party and without in any way affecting the personal liability of any party hereunder.

By: /s/Ronald W. Parker
Name: Ronald W. Parker
Title: President and Chief Executive Officer

CERTIFICATION

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

1. I have reviewed the quarterly report on Form 10-Q of Pizza Inn, Inc. (the "Registrant");
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
 - a. Designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Evaluated the effectiveness of the Registrant's disclosure controls and procedures as of the end of the period covered by this quarterly report; and
 - c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 12, 2004

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

CERTIFICATION

I, Shawn M. Preator, Chief Financial Officer (Principal Accounting Officer) of Pizza Inn, Inc. certify that:

1. I have reviewed the quarterly report on Form 10-Q of Pizza Inn, Inc. (the "Registrant");
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
 - a. Designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Evaluated the effectiveness of the Registrant's disclosure controls and procedures as of the end of the period covered by this quarterly report; and
 - c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 12, 2004

By: /s/Shawn M. Preator
Shawn M. Preator
Chief Financial Officer
Principal Accounting Officer

In connection with the Quarterly Report of Pizza Inn, Inc. ("the Company") on Form 10-Q for the three months and nine months ended March 28, 2004 as filed with Securities and Exchange Commission on the date hereof ("the Report"), I, Ronald W. Parker, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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. I have reviewed this quarterly report on Form 10-Q of the Company;
3. Based on my knowledge, this quarterly 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 quarterly report;
4. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

A signed original of this written statement required by Section 906 has been provided to Pizza Inn, Inc. and will be retained by Pizza Inn, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

May 12, 2004

/s/Ronald W. Parker
Ronald W. Parker
President and Chief Executive Officer

In connection with the Quarterly Report of Pizza Inn, Inc. ("the Company") on Form 10-Q for the three months and nine months ended March 28, 2004 as filed with Securities and Exchange Commission on the date hereof ("the Report"), I, Shawn M. Preator, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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. I have reviewed this quarterly report on Form 10-Q of the Company;
3. Based on my knowledge, this quarterly 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 quarterly report;
4. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

A signed original of this written statement required by Section 906 has been provided to Pizza Inn, Inc. and will be retained by Pizza Inn, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

May 12, 2004

/s/Shawn M. Preator
Shawn M. Preator
Chief Financial Officer