SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 23, 2007

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

Commission File Number: 0-12919

PIZZA INN, INC.

(Exact name of registrant as specified in its charter)

Missouri **(State of other jurisdiction of Incorporation or organization)**	**47-0654575** **(I.R.S. Employer Identification No.)**

3551 Plano Parkway
The Colony, Texas 75056
(Address of principal executive offices) (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 for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12 b-2 of the Exchange Act). Yes oNo ☑

As of February 5, 2008, 9,567,606 shares of the issuer's common stock were outstanding.

PIZZA INN, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended		Six Months Ended	
REVENUES:	**December 23, 2007**	**December 24, 2006**	**December 23, 2007**	**December 24, 2006**
Food and supply sales	$ 11,174	$ 10,232	$ 21,953	$ 20,620
Franchise revenue	1,346	1,118	2,462	2,307
Restaurant sales	175	199	358	389
	12,695	11,549	24,773	23,316
COSTS AND EXPENSES:				
Cost of sales	10,530	9,974	20,602	19,903
Franchise expenses	706	746	1,326	1,418
General and administrative expenses	721	1,126	1,356	2,675
Severance	79	-	379	-
Bad debts	35	-	58	-
Loss (gain) on sale of assets	7	(554)	7	(564)
Other income	-	(146)	-	(179)
(Recovery) provision for litigation costs	(284)	(108)	(284)	302
Interest expense	-	274	-	474
	11,794	11,312	23,444	24,029
INCOME (LOSS) FROM CONTINUTING OPERATIONS BEFORE TAXES	901	237	1,329	(713)
Income taxes	-	-	-	-
INCOME (LOSS) FROM CONTINUING OPERATIONS	901	237	1,329	(713)
Income (loss) from discontinued operations, net of taxes	(48)	(85)	(131)	(196)
NET INCOME (LOSS)	$ 853	$ 152	$ 1,198	$ (909)
EARNINGS PER SHARE OF COMMON STOCK - BASIC:				
Income (loss) from continuing operations	$ 0.09	$ 0.02	$ 0.13	$ (0.07)
Income (loss) from discontinued operations	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)
Net income (loss)	$ 0.08	$ 0.01	$ 0.12	$ (0.09)
EARNINGS PER SHARE OF COMMON STOCK - DILUTED:				
Diluted income (loss) per common share				
Income (loss) from continuing operations	$ 0.09	$ 0.02	$ 0.13	$ (0.07)
Income (loss) from discontinued operations	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)
Net income (loss)	$ 0.08	$ 0.01	$ 0.12	$ (0.09)
Weighted average common shares outstanding - basic	10,061	10,138	10,114	10,138
Weighted average common shares outstanding - diluted	10,087	10,138	10,142	10,138

See accompanying Notes to Condensed Consolidated Financial Statements.

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PIZZA INN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Three Months Ended		Six Months Ended	
	December 23, 2007	**December 24, 2006**	**December 23, 2007**	**December 24, 2006**
Net income (loss)	$ 853	$ 152	$ 1,198	$ (909)
Interest rate swap gain - (net of tax expense)	-	-	-	14
Comprehensive income (loss)	$ 853	$ 152	$ 1,198	$ (895)

See accompanying Notes to Condensed Consolidated Financial Statements.

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

ASSETS	**December 23, 2007**	**June 24, 2007**
CURRENT ASSETS		
Cash and cash equivalents	$ 1,180	$ 1,879
Accounts receivable, less allowance for bad debts		
of $501 and $451, respectively	3,607	2,716
Notes receivable, current portion	9	8
Inventories	1,351	1,518
Property held for sale	331	336
Deferred income tax assets, net	458	458
Prepaid expenses and other assets	281	165
Total current assets	7,217	7,080
LONG-TERM ASSETS		
Property, plant and equipment, net	623	778
Notes receivable	9	12
Re-acquired development territory, net	142	239
Deposits and other assets	139	85
	$ 8,130	$ 8,194
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	$ 2,018	$ 2,082
Accrued expenses	1,520	1,805
Total current liabilities	3,538	3,887
LONG-TERM LIABILITIES		
Deferred gain on sale of property	197	209
Deferred revenues	297	314
Other long-term liabilities	8	7
Total liabilities	4,040	4,417
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common stock, $.01 par value; authorized 26,000,000		
shares; issued 15,123,909 and 15,120,319 shares, respectively;		
outstanding 9,858,977 and 10,168,494 shares, respectively	151	151
Additional paid-in capital	8,473	8,471
Retained earnings	15,996	14,799
Treasury stock at cost		
Shares in treasury: 5,264,932 and 4,951,825, respectively	(20,530)	(19,644)
Total shareholders' equity	4,090	3,777
	$ 8,130	$ 8,194

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Six Months Ended	
	December 23, 2007	December 24, 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 1,198	$ (909)
Adjustments to reconcile net income (loss) to		
cash provided (used) by operating activities:		
Depreciation and amortization	171	448
Severance expense	379	-
Deferred rent expense	-	3
Stock compensation expense	2	97
(Recovery) provision for litigation costs	(284)	302
Loss (gain) on sale of assets	7	(564)
Provision for bad debts	58	-
Changes in operating assets and liabilities:		
Notes and accounts receivable	(1,039)	118
Inventories	167	212
Deferred revenue	(17)	196
Accounts payable - trade	(64)	626
Accrued expenses	(363)	(3,096)
Prepaid expenses and other	(51)	(331)
Cash provided (used) by operating activities	164	(2,898)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	92	11,319
Capital expenditures	(69)	(248)
Cash provided by investing activities	23	11,071
CASH FLOWS FROM FINANCING ACTIVITIES:		
Deferred financing costs	-	(26)
Repayments of long-term bank debt	-	(8,044)
Repurchase of common stock	(886)	-
Cash used for financing activities	(886)	(8,070)
Net (decrease) increase in cash and cash equivalents	(699)	103
Cash and cash equivalents, beginning of period	1,879	184
Cash and cash equivalents, end of period	$ 1,180	$ 287

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

PIZZA INN, INC.
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION
(In thousands)
(Unaudited)

	Six Months Ended December 23, 2007	December 24, 2006
CASH PAYMENTS FOR:		
Interest	$ -	$ 495
NON CASH FINANCING AND INVESTING ACTIVITIES:		
Capital lease obligations incurred		
Loss on interest rate swap	$ -	$ 22

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

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 consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended June 24, 2007.

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. Results of operations for the fiscal periods presented herein are not necessarily indicative of fiscal year-end results. Certain prior period amounts have been reclassified to conform with current period presentation.

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

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

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

Fiscal Year
Fiscal second quarter ended December 23, 2007 and December 24, 2006, both contained 13 weeks and the fiscal six months ended December 23, 2007 and December 24, 2006, both contained 26 weeks.

Revenue Recognition
The Company recognizes revenue when products are delivered and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. The Company's Norco division sells food and supplies to franchisees on trade accounts under terms common in the industry. Food and supply revenue are recognized upon delivery of the product. Equipment that is sold requires acceptance prior to installation. Recognition of revenue for equipment sales occurs upon acceptance of such equipment. Other than for large remodel projects, delivery date and acceptance date are the same. 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 area development and foreign master license (collectively, "Territory") fees. License fees are recognized as income when there has been substantial performance of the agreement by both the franchisee and the Company. Foreign master license fees are generally recognized upon execution of the agreement as all material services relating to the sale have been substantially performed by the Company and the fee has been collected. Royalties are recognized as income when earned. Domestic franchise fees are generally recognized at the time the restaurant is opened.

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

New Accounting Pronouncements
In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation Number 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for income taxes by prescribing the minimum requirements a tax position must meet before being recognized in the financial statements. In addition, FIN 48 prohibits the use of Statement of Financial Accounting Standards (SFAS) Number 5, Accounting for Contingencies, in evaluating the recognition and measurement of uncertain tax positions. We adopted FIN 48 at the beginning of our fiscal year on June 25, 2007 and recognized no adjustment in the liability for unrecognized tax benefits upon adoption. At December 23, 2007, the Company's unrecognized tax benefits, including interest and penalties, were $0 and the amount of unrecognized tax benefits that would impact the effective rate, if recognized, is $0. Although the Company believes it has adequately provided for all tax positions, taxing authorities could assess amounts greater or less than the Company's accrued position. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits.

In September 2006, the FASB issued SFAS Number 157, Fair Value Measurements. SFAS Number 157 establishes a framework for measuring fair value within generally accepted accounting principles clarifies the definition of fair value within that framework and expands disclosures about the use of fair value measurements. SFAS Number 157 does not require any new fair value measurements in generally accepted accounting principles. However, the definition of fair value in SFAS Number 157 may affect assumptions used by companies in determining fair value. The Company will be required to adopt SFAS Number 157 on June 30, 2008. The Company has not completed its evaluation of the impact of adoption of SFAS Number 157 on the Company's financial statements, but currently believes the impact of the adoption of SFAS Number 157 will not require material modification of the Company's fair value measurements and will be substantially limited to expanded disclosures in the notes to the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS Number 159, Fair Value Option for Financial Assets and Financial Liabilities. SFAS Number 159 permits entities to choose to measure many financial instruments, including employee stock option plans and operating leases accounted for in accordance with SFAS Number 13, Accounting for Leases, at their Fair Value. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company has not completed its evaluation of the impact of adoption of SFAS Number 159 on the Company's financial statements but currently believes the impact of the adoption of SFAS Number 159 will not require material modification of the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS Number 141 (Revised), Business Combinations. SFAS Number 141(R) improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of this Statement is not expected to have a material impact on the Company's financial position or results of operations.

In December 2007, the FASB issued SFAS Number 160, Noncontrolling Interests in Consolidated Financial Statements. SFAS Number 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary and clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This statement is effective for fiscal years beginning on or after December 15, 2008. The adoption of this Statement is not expected to have a material impact on the Company's financial position or results of operations.

(2) **Long-Term Debt**

On January 23, 2007, the Company and The CIT Group / Commercial Services, Inc. ("CIT") entered into an agreement for a revolving credit facility of up to $3.5 million (the "CIT credit facility"). The actual availability on the CIT credit facility is determined by advance rates on eligible inventory and accounts receivable. Interest on borrowings outstanding on the CIT credit facility is provided for at a rate equal to a range of the prime rate plus an interest rate margin of 0.0% to 0.5% or, at the Company's option, at the LIBOR rate plus an interest rate margin of 2.0% to 3.0%. The specific interest rate margin is based on the Company's performance under certain financial ratio tests. An annual commitment fee is payable on any unused portion of the CIT credit facility at a rate of 0.375%. All of the Company's (and its subsidiaries') personal property assets (including, but not limited to, accounts receivable, inventory, equipment, and intellectual property) have been pledged to secure payment and performance of the CIT credit facility, which is subject to customary covenants for asset-based loans.

On June 27, 2007, the Company and CIT entered into an agreement to amend the CIT credit facility to (i) allow the Company to repurchase Company stock in an amount up to $3,000,000, (ii) allow the Company to make permitted cash distributions or cash dividend payments to the Company's shareholders in the ordinary course of business and (iii) increase the aggregate capital expenditure limit from $750,000 per fiscal year to $3,000,000. As of December 23, 2007, there were no borrowings outstanding on the CIT credit facility. The Company has used the facility to obtain one letter of credit for approximately $190,000 in connection with deposit requirements under the sale leaseback agreement and another letter of credit for approximately $230,000 to reinsurers to secure loss reserves. The $190,000 letter of credit obtained in connection with deposit requirements under the sale lease back agreement was terminated during the quarter ended December 23, 2007.

PIBCO, Ltd., a wholly-owned insurance subsidiary of the Company, in the normal course of operations, arranged for the issuance of a letter of credit for $230,000 to reinsurers to secure loss reserves. At June 25, 2006, this letter of credit was secured under the Revolving Credit Agreement. In December 2006, the letter of credit was terminated and replaced by a deposit of $230,000. At June 24, 2007 this deposit was included in cash and cash equivalents in the consolidated balance sheet. In July 2007, CIT issued a letter of credit for approximately $230,000 to secure these loss reserves and the $230,000 deposit was returned to the Company. Loss reserves for approximately the same amount have been recorded by PIBCO, Ltd. and are reflected as current liabilities in the Company's consolidated financial statements as of December 23, 2007.

(3) **Commitments and Contingencies**

On May 23, 2007, the Company announced that its Board of Directors had authorized a stock repurchase plan whereby the Company may repurchase up to 1,016,000 shares of its currently outstanding common stock. As of December 23, 2007, 313,107 shares have been repurchased under the plan at an average price of $2.80 per share.

On October 5, 2004, the Company filed a lawsuit against the law firm Akin, Gump, Strauss, Hauer & Feld, and J. Kenneth Menges, one of the firm's partners. Akin Gump served as the Company's principal outside lawyers from 1997 through May 2004, when the Company terminated the relationship. The petition alleges that during the course of representation of the Company, the firm and Mr. Menges, as the partner in charge of the firm's services for the Company, breached certain fiduciary responsibilities to the Company by giving advice and taking action to further the personal interests of certain of the Company's executive officers to the detriment of the Company and its shareholders. Specifically, the petition alleges that the firm and Mr. Menges assisted in the creation and implementation of so-called "golden parachute" agreements, which, in the opinion of the Company's current counsel, provided for potential severance payments to those executives in amounts greatly disproportionate to the Company's ability to pay, and that, if paid, could expose the Company to significant financial liability which could have a material adverse effect on the Company's financial position.

On October 10, 2007,the parties entered into a general release and settlement agreement relating to the lawsuit filed by the Company. Pursuant to the settlement agreement, each of the Company, Akin Gump and J. Kenneth Menges (i) denied wrongdoing and liability, (ii) agreed to mutual releases of liability, and (iii) agreed to dismiss all pending claims with prejudice. Akin Gump and Mr. Menges agreed to pay the Company $600,000 upon their counsel's receipt of the executed settlement agreement. On October 23, 2007, the Company received $284,000 of net proceeds after all contingent fees and expenses, which was reported as income in the second quarter ended December 23, 2007and presented in the caption (Recovery) provision for litigation costs in the Consolidated Statement of Operations.

On August 31, 2006, the Company was served with notice of a lawsuit filed against it by a former franchisee and its guarantors who operated one restaurant in the Harlingen, Texas market in 2003. The former franchisee and guarantor allege generally that the Company intentionally and negligently misrepresented costs associated with development and operation of the Company's franchise, and that as a result they sustained business losses that ultimately led to the closing of the restaurant. They seek damages of approximately $768,000, representing amounts the former franchisees claim to have lost in connection with their development and operation of the restaurant. In addition, they seek unspecified punitive damages, and recovery of attorneys' fees and court costs. The Eastern District of Texas magistrate recently ruled in the Company's favor to transfer this action to the Northern District of Texas pursuant to the forum selection clause in the franchise agreement. On December 18, 2007, the parties entered into an Agreed Stipulation of Dismissal and Order where the plaintiff agreed to dismiss the claim, in federal court, with prejudice and plaintiff agreed that he has sixty days to re-file the case in the state district courts of Dallas County, Texas. The Company is currently waiting to see if plaintiff files in state court. Due to the preliminary nature of this matter and the general uncertainty surrounding the outcome of any form of legal proceeding, it is not practicable for the Company to provide any certain or meaningful analysis, projection or expectation at this time regarding the outcome of this matter. Although the outcome of the legal proceeding cannot be projected with certainty, the Company believes that the plaintiff's allegations are without merit. The Company intends to vigorously defend against such allegations and to pursue all relief to which it may be entitled, including pursuing a counterclaim for recovery of past due amounts, future lost royalties and attorneys' fees and costs. An adverse outcome to the proceeding could materially affect the Company's financial position and results of operation. The Company has not made any accrual for any such amounts as of December 23, 2007.

On December 19, 2006, the Company notified Nasdaq that the Company is aware that it fails to satisfy the audit committee composition requirements under Nasdaq Marketplace Rule 4350(d)(2)(A) due to one vacancy on the audit committee of the Company's Board of Directors. Nasdaq Marketplace Rule 4350(d)(2)(A) requires an audit committee of at least three members, each of whom must, among other requirements, be independent as defined under NASDAQ Marketplace Rule 4200(a)(15) and meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (subject to the exemptions provided in Exchange Act Rule 10A-3(c)). On January 8, 2007, the Company received a staff deficiency letter from NASDAQ indicating that the Company fails to comply with Nasdaq Marketplace Rule 4350(d)(2)(A). In the January 8, 2007 letter, NASDAQ notified the Company that NASDAQ will provide the Company until April 16, 2007 to regain compliance. However in a letter dated March 19, 2007, Nasdaq notified the Company that the Company will have until the earlier of its next annual shareholders' meeting or December 13, 2007 to add an additional member to its audit committee in order to regain compliance with the audit committee composition requirements under Nasdaq Marketplace Rule 4350 (d)(2)(A). The March 19, 2007 letter supersedes the staff deficiency letter dated January 8, 2007 in which NASDAQ notified the Company that the Company would only have until April 16, 2007 to regain compliance.

In a letter dated December 17, 2007, NASDAQ notified Pizza Inn, Inc. that, by virtue of the election of W.C. Hammett, Jr. to the Company's board of directors at the Company's annual shareholders' meeting on December 13, 2007 and Mr. Hammett's subsequent appointment to the board's audit committee, the Company has regained compliance with NASDAQ Marketplace Rule 4350(d)(2) and Marketplace Rule 4200(a)(15) and accordingly NASDAQ's listing standards.

The Company is also subject to other various claims and contingencies related to employment agreements, lawsuits, taxes, food product purchase contracts and other matters arising out of the normal course of business. With the possible exception of the matters set forth above, management believes that any such claims and actions currently pending against us are either covered by insurance or would not have a material adverse effect on the Company's results of operations, cash flows, or financial condition if decided in a manner that is unfavorable to us.

(4) **Earnings (loss) per Share**

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).

in thousands, except per share	Three Months Ended			
	December 23, 2007		**December 24, 2006**	
	Diluted	**Basic**	**Diluted**	**Basic**
Income from continuing operations for per share calculation	$ 901	$ 901	$ 237	$ 237
(Loss) from discontinued operations for per share calculation	(48)	(48)	(85)	(85)
Net income available for common shareholders	$ 853	$ 853	$ 152	$ 152
Weighted average equivalent shares				
Shares of Pizza Inn, Inc. common stock outstanding	10,061	10,061	10,138	10,138
Dilutive effect of employee stock options and awards	26	-	-	-
Total weighted average equivalent shares	10,087	10,061	10,138	10,138
Per-share amounts				
Income from continuing operations	$ 0.09	$ 0.09	$ 0.02	$ 0.02
(Loss) from discontinued operations	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Net income	$ 0.08	$ 0.08	$ 0.01	$ 0.01

in thousands, except per share	Six Months Ended			
	December 23, 2007		**December 24, 2006**	
	Diluted	**Basic**	**Diluted**	**Basic**
Income (loss) from continuing operations for per share calculation	$ 1,329	$ 1,329	$ (713)	$ (713)
(Loss) from discontinued operations for per share calculation	(131)	(131)	(196)	(196)
Net income (loss) available for common shareholders	$ 1,198	$ 1,198	(909)	$ (909)
Weighted average equivalent shares				
Shares of Pizza Inn, Inc. common stock outstanding	10,114	10,114	10,138	10,138
Dilutive effect of employee stock options and awards	28	-	-	-
Total weighted average equivalent shares	10,142	10,114	10,138	10,138
Per-share amounts				
Income (loss) from continuing operations	$ 0.13	$ 0.13	$ (0.07)	$ (0.07)
(Loss) from discontinued operations	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
Net income (loss)	$ 0.12	$ 0.12	$ (0.09)	$ (0.09)

At December 23, 2007, options to purchase 170,000 shares of common stock at exercise prices ranging from $2.15 to $2.31 per share were outstanding and included in the computation of diluted EPS, using the Treasury Stock Method, because the options' exercise price was less than the average market price of the common shares during the quarter. Options to purchase 115,000 shares of common stock at exercise prices ranging from $2.74 to $3.17 were not included in the computation of diluted EPS for both the quarter ended and the six month period ended December 23, 2007, because the options' exercise prices were greater than the average market price of the common shares for the respective periods.

At December 24, 2006, no options to purchase shares of common stock were included in the computation of diluted EPS.

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

SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, requires that discontinued operations, that meet certain criteria, be reflected in the statement of operations after results of continuing operations as a net amount. SFAS No. 144 also requires that the operations of the closed restaurants, including any impairment charges, be reclassified to discontinued operations for all periods presented.

SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This Statement also establishes that fair value is the objective for initial measurement of the liability.

The Company closed two restaurants in Houston, Texas during the quarter ended September 23, 2007. No provision for impairment was required to be taken during the quarter ended September 23, 2007. The impairment taken in the fiscal year ended June 24, 2007, reduced the carrying value of the properties to their estimated net realizable value. That net realizable value remains unchanged. The two properties are on the market for sub-lease and have received a number of site visits. Because we believe that the property will sub-lease at or above the current rate, we have not reserved any additional costs related to our obligations under these non-cancelable leases.

A summary of discontinued operations is as follows in (thousands):

	Three Months Ended	
	December 23, 2007	December 24, 2006
Sales	$ -	$ 176
Cost of Sales	-	233
General and Administrative	48	28
Total loss from discontinued operations	$ (48)	$ (85)

	Six Months Ended	
	December 23, 2007	December 24, 2006
Sales	$ 62	$ 356
Cost of Sales	153	482
General and Administrative	40	70
Total loss from discontinued operations	$ (131)	$ (196)

(6) **Provision for Income Tax**

The Company's federal net operating losses of $1,350,000 will begin to expire in 2027. The Company also has state net operating losses of $1,466,000 which will begin to expire in 2011. Management re-evaluates the net deferred tax asset each quarter and believes that it is more likely than not, that the net deferred tax asset of $458,000 will be realized based on the Company's recent history of profit and the expectation of future taxable income as well as the future reversal of temporary differences. A valuation allowance has been provided for amounts in excess of the asset expected to be realized. For the three and six month periods ended December 23, 2007, the effective income tax rate of 0% differs from the statutory U.S. federal income tax rate of 34%, as the Company has provided a valuation allowance for the deferred tax assets for which it is considered more likely than not such assets will not be recognized.

(7) **Property Held for Sale**

The Company had $331,000 and $336,000 of assets classified as held for sale as of December 23, 2007 and June 24, 2007 respectively. As of December 23, 2007, approximately $288,000 represents the carrying value of the Company's real estate and equipment located in Little Elm, Texas and the remaining $43,000 of assets held for sale represents miscellaneous transportation equipment. All assets held for sale are currently listed with brokers for sale to third parties.

(8) Segment Reporting

Summarized in the following tables are net sales and operating revenues, operating income (loss) and geographic information (revenues) for the Company's reportable segments for the three month and six month periods ended December 23, 2007 and December 24, 2006 (in thousands). Operating income and loss excludes interest expense, and income tax provision.

	Three Months Ended		Six Months Ended	
	December 23, 2007	December 24, 2006	December 23, 2007	December 24, 2006
Net sales and operating revenues:				
Food and equipment distribution	$ 11,174	$ 10,232	$ 21,953	$ 20,620
Franchise and other (2)	1,521	1,317	2,820	2,696
Intersegment revenues	69	126	157	276
combined	12,764	11,675	24,930	23,592
Less intersegment revenues	(69)	(126)	(157)	(276)
Consolidated revenues	$ 12,695	$ 11,549	$ 24,773	$ 23,316
Depreciation and amortization:				
Food and equipment distribution	$ -	$ 30	$ -	$ 156
Franchise and other (2)	69	82	138	176
combined	69	112	138	332
Corporate administration and other	17	25	31	116
Depreciation and amortization	$ 86	$ 137	$ 169	$ 448
Interest expense:				
Food and equipment distribution	$ -	$ 153	$ -	$ 265
Franchise and other (2)	-	-	-	1
combined	-	153	-	266
Corporate administration and other				
Combined	-	121	-	208
Corporate administration and other				
Interest expense	-	274	-	474
Operating income (loss):				
Food and equipment distribution (1)	$ 623	$ (442)	$ 1,197	$ (716)
Franchise and other (1), (2)	547	380	1,045	879
Intersegment profit	17	31	38	66
combined	1,187	(31)	2,280	229
Less intersegment profit	(17)	(31)	(38)	(66)
Corporate administration and other	(269)	299	(913)	(876)
Operating income (loss)	$ 901	$ 237	$ 1,329	$ (713)
Geographic information (revenues):				
United States	$ 12,133	$ 11,283	$ 23,669	$ 22,589
Foreign countries	562	266	1,104	727
Consolidated total	$ 12,695	$ 11,549	$ 24,773	$ 23,316

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

(2) Company stores that were closed are included in discontinued operations and are excluded from above.

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

The following discussion should be read in conjunction with the consolidated financial statements, accompanying notes and selected financial data appearing elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended June 24, 2007 and may contain certain forward-looking statements that are based on current management expectations. Generally, verbs in the future tense and the words "believe," "expect," "anticipate," "estimate," "intends," "opinion," "potential" and similar expressions identify forward-looking statements. Forward-looking statements in this report include, without limitation, statements relating to the strategies underlying our business objectives, our customers and our franchisees, our liquidity and capital resources, the impact of our historical and potential business strategies on our business, financial condition, and operating results and the expected effects of potentially adverse litigation outcomes. Our actual results could differ materially from our expectations. Further information concerning our business, including additional risk factors and uncertainties, if any, that could cause actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q, may be set forth below under the heading "Risk Factors." These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. The forward-looking statements contained herein speak only as of the date of this Quarterly Report on Form 10-Q and, except as may be required by applicable law and regulation, we do not undertake, and specifically disclaim any obligation to, publicly update or revise such statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Results of Operations

Overview

The Company is a franchisor and food and supply distributor to a system of restaurants operating under the trade name "Pizza Inn." Our distribution division is Norco Restaurant Services Company ("Norco"). At December 23, 2007, there were 341 domestic and international Pizza Inn restaurants, consisting of one Company-owned domestic restaurant, 265 franchised domestic restaurants, and 75 franchised international restaurants. The 266 domestic restaurants consisted of: (i) 165 restaurants that offer dine-in, carry-out, and in many cases, delivery services (Buffet Units); (ii) 42 restaurants that offer delivery and carry-out services only ("Delco Units"); and (iii) 59 restaurants that are typically located within a convenience store, college campus building, airport terminal, or other commercial facility and offer quick carry-out service from a limited menu ("Express Units"). The 266 domestic restaurants were located in 18 states predominately situated in the southern half of the United States. The 75 international restaurants are located in nine foreign countries.

During the quarter ended December 23, 2007, four new domestic franchised Buffet Units were opened and two domestic franchised Buffet Units were closed compared to one new domestic franchised Buffet Unit opened and two Company-owned Buffet Units closed during the first quarter ended September 23, 2007.

Diluted income per common share increased to $0.08 from $0.01 for the three month period ended December 23, 2007 compared to the comparable period ended December 24, 2006. Net income for the three month period ended December 23, 2007 increased $701,000 to $853,000 from $152,000 for the comparable period in the prior fiscal year, on revenues of $12,695,000 for the three month period ended December 23, 2007 and $11,549,000 for the comparable period in the prior fiscal year. Diluted income (loss) per common share increased to $0.12 from ($0.09) for the six month period ended December 23, 2007 compared to the comparable period ended December 24, 2006. Net income (loss) for the six month period ended December 23, 2007 increased $2,107,000 to $1,198,000 from ($909,000) for the comparable period in the prior fiscal year, on revenues of $24,773,000 for the six month period ended December 23, 2007 and $23,316,000 for the comparable period in the prior fiscal year. The increase in net income, during the three and six month periods ended December 23, 2007, is primarily due to increased food and supply sales and franchise revenues which were driven by a 0.6% increase in chain-wide retail sales, during the quarter ended December 23, 2007 compared to the comparable period for the prior fiscal year. The Company also benefited from lower legal expenses and other operating expense reductions which were the result of restructuring efforts, that included outsourcing certain administrative functions which lowered headcount, implemented during the six month period ended December 23, 2007 compared to the comparable period in the prior fiscal year. Additionally, the Company received income of $284,000 from the Akin Gump settlement in October 2007. These savings and settlement income, for the six month period ended December 23, 2007, were partially offset by severance expenses of $379,000 of which $300,000 was recognized in August, 2007 due to the departure of the Company's President and CEO on August 15, 2007. The remaining severance expense of $79,000 was recognized in the second fiscal quarter ended December 23, 2007.

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

	Three Months Ended	
	December 23, 2007	December 24, 2006
Domestic retail sales Buffet Units (in thousands)	$ 28,350	$ 27,665
Domestic retail sales Delco Units (in thousands)	$ 2,943	$ 3,180
Domestic retail sales Express Units (in thousands)	$ 1,495	$ 1,733
Average number of domestic Buffet Units	161	171
Average number of domestic Delco Units	42	47
Average number of domestic Express Units	59	66

	Six Months Ended	
	December 23, 2007	December 24, 2006
Domestic retail sales Buffet Units (in thousands)	$ 56,675	$ 56,362
Domestic retail sales Delco Units (in thousands)	$ 5,866	$ 6,444
Domestic retail sales Express Units (in thousands)	$ 3,122	$ 3,692
Average number of domestic Buffet Units	162	175
Average number of domestic Delco Units	42	48

Average number of domestic Express Units	62	68

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Revenues

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

Food and Supply Sales

Food and supply sales by Norco include food and paper products, equipment and other distribution revenues. Food and supply sales for the three month period ended December 23, 2007 increased 9%, or $942,000, to $11,174,000 from $10,232,000 in the comparable period for the prior fiscal year. During the three month period ended December 23, 2007, a 50% increase in cheese prices contributed to increased food and supply sales of $987,000, compared to the comparable period for the prior fiscal year and, international sales and equipment sales, which are included in Food and supply sales in the Condensed Consolidated Statement of Operations, increased by $292,000 but were offset by lower backhaul, storage and other freight revenues, which are also included in Food and supply sales in the Condensed Consolidated Statement of Operations, of $109,000 due to the outsourcing of the Company's distribution center during the comparable period in the prior year. For the three month period ended December 23, 2007 total domestic chain-wide retail sales increased 0.6%, or $410,000, over the comparable period for the prior fiscal year. Food and supply sales for the six month period ended December 23, 2007 increased 6.5%, or $1,333,000, to $21,953,000 from $20,620,000 in the comparable period for the prior fiscal year. During the six month period ended December 23, 2007, a 52% increase in cheese prices contributed to increased food and supply sales of $2,007,000 compared to the comparable period for the prior fiscal year. Year-to-date total domestic chain-wide retail sales were down over the prior year, less than 1% or $509,000. Decreases in freight and storage revenue were offset by increased international and equipment sales for the three and six month periods ended December 23, 2007 compared to the comparable periods for the prior fiscal year.

Franchise Revenue

Franchise revenue, which includes income from royalties, license fees and area development and foreign master license sales, increased 20%, or $228,000 to $1,346,000 from $1,118,000 for the three month period ended December 23, 2007 compared to the comparable period for the prior fiscal year. This increase is primarily attributable to a $150,000 master license fee earned in November 2007 for the development of new Pizza Inn restaurants in the country of Kuwait and higher domestic franchise fees for the four new domestic buffet restaurants opened during the quarter ended December 23, 2007. For the six month period ended December 23, 2007, compared to the comparable period for the prior fiscal year, franchise revenue increased 7%, or $155,000 to $2,462,000 from $2,307,000. This increase is attributable to the fees noted above but were partially offset by lower royalties and domestic franchise fees earned in the first quarter ended September 23, 2007 compared to comparable period in the prior fiscal year. The following chart summarizes the major components of franchise revenue (in thousands):

	Three Months Ended	
	December 23, 2007	December 24, 2006
Domestic royalties	$ 974	$ 967
International royalties	103	106
Domestic franchise fees	98	5
International franchise fees	171	40
Franchise revenue	$ 1,346	$ 1,118

	Six Months Ended	
	December 23, 2007	December 24, 2006
Domestic royalties	$ 1,945	$ 1,977
International royalties	215	209
Domestic franchise fees	136	33
International franchise fees	166	88
Franchise revenue	$ 2,462	$ 2,307

Restaurant Sales

Restaurant sales, which consist of revenue generated by the Company-owned restaurant, decreased 12%, or $24,000 to $175,000 from $199,000 for the three month period ended December 23, 2007 compared to the comparable period for the prior fiscal year. For the six month period ended December 23, 2007, restaurant sales decreased 8%, or $31,000, to $358,000 from $389,000 compared to the comparable period for the prior fiscal year. The sales decreases for the three and six month periods ended December 23, 2007 are primarily due to a significant reduction in marketing expenditures as more effort was put into training as the Company-owned restaurant is also used as a training facility for new franchisees.

Costs and Expenses

Cost of Sales

Cost of sales increased 6%, or $556,000 to $10,530,000 from $9,974,000 for the three month period ended December 23, 2007 compared to the comparable period for the prior fiscal year. This increase is primarily the result of increased cheese prices combined with increased equipment and international sales. For the six month period ended December 23, 2007 compared to the comparable period for the prior fiscal year, cost of sales increased 3.5% or $699,000 to $20,602,000 from $19,903,000 primarily due to increased prices for cheese and other commodities. Cost of sales as a percentage of sales decreased 3% for the three months and 2% for the six months ended December 23, 2007 compared to the comparable period for the prior fiscal year as a result of savings relating to outsourcing the distribution center and the sale of property and equipment, which reduced depreciation expense, relating to the outsourcing.

Franchise Expenses

Franchise expenses include selling, general and administrative expenses directly related to the sale and continuing service of domestic and international franchises. These expenses decreased 5%, or $40,000 to $706,000 from $746,000 for the three month period ended December 23, 2007 compared to the comparable period for the prior fiscal year. For the six month period ended December 23, 2007 compared to the comparable period for the prior fiscal year, franchise expenses decreased 6.5% or $92,000 to $1,326,000 from $1,418,000. These decreases are primarily the result of lower administrative expenses of $136,000 related to the restructuring of franchise operations which resulted in lower expenses for certain outside services. These savings were partially offset by higher payroll and travel expenses for business development related to bringing the sales function back in house. The following chart summarizes the major components of franchise expenses (in thousands):

	Three Months Ended	
	December 23, 2007	December 24, 2006
Payroll	$ 488	$ 439
Travel	78	72
Other	140	235
Franchise expenses	$ 706	$ 746

	Six Months Ended	
	December 23, 2007	December 24, 2006
Payroll	$ 913	$ 898
Travel	170	141
Other	243	379
Franchise expenses	$ 1,326	$ 1,418

General and Administrative Expenses

General and administrative expenses decreased 36%, or $405,000 to $721,000 from $1,126,000 for the three month period ended December 23, 2007 compared to the comparable period for the prior fiscal year. For the six month period ended December 23, 2007 compared to the comparable period for the prior fiscal year general and administrative expenses decreased 49% or $1,319,000 to $1,356,000 from $2,675,000. The following chart summarizes the major components of general and administrative expenses (in thousands):

	Three Months Ended	
	December 23, 2007	December 24, 2006
Payroll	$ 385	$ 573
Legal fees	105	375
Other professional fees	169	138
Insurance and taxes	61	23
Other	(1)	(38)
Stock compensation expense	2	55
General and administrative expenses	$ 721	$ 1,126

	Six Months Ended	
	December 23, 2007	December 24, 2006
Payroll	$ 817	$ 1,020
Legal fees	210	915
Other professional fees	269	356
Insurance and taxes	118	232
Other	(60)	55
Stock compensation expense	2	97
General and administrative expenses	$ 1,356	$ 2,675

The decrease in general and administrative expenses during the three and six months periods ended December 23, 2007 was due primarily to lower payroll and insurance expenses due to reduced headcount and the outsourcing of certain general and administrative functions and lower legal expenses due to the settlement of certain legal actions in the comparable period in the prior fiscal year.

Interest Expense

Interest expense decreased to $0 from $274,000 for the three month period ended December 23, 2007 compared to the comparable period for the prior fiscal year. For the six month period ended December 23, 2007 compared to the comparable period for the prior fiscal year interest expense decreased to $0 from $474,000. The decreased interest expenses are attributable to the Company paying off all of its outstanding debt on December 19, 2006. The Company has no outstanding debt as of December 23, 2007. Interest expense could increase in future periods if the Company chooses to draw on its CIT credit facility.

Discontinued Operations

Discontinued Operations includes losses from the two company-owned stores that closed in Houston, Texas. Below is a summary of discontinued operations (in thousands):

	Three Months Ended	
	December 23, 2007	December 24, 2006
Sales	$ -	$ 176
Cost of Sales	-	233
General and Administrative	48	28
Total loss from discontinued operations	$ (48)	$ (85)

	Six Months Ended	
	December 23, 2007	December 24, 2006
Sales	$ 62	$ 356
Cost of Sales	153	482
General and Administrative	40	70
Total loss from discontinued operations	$ (131)	$ (196)

Provision for Income Tax

The Company's federal net operating losses of $1,350,000 will begin to expire in 2027. The Company also has state net operating losses of $1,466,000 which will begin to expire in 2011. Management re-evaluates the net deferred tax asset each quarter and believes that it is more likely than not, that the net deferred tax asset of $458,000 will be realized based on the Company's recent history of profit and the expectation of future taxable income as well as the future reversal of temporary differences. A valuation allowance has been provided for amounts in excess of the asset expected to be realized. For the three and six month periods ended December 23, 2007, the effective income tax rate of 0% differs from the statutory U.S. federal income tax rate of 34%, as the Company has provided a valuation allowance for the deferred tax assets for which it is considered more likely than not such assets will not be recognized.

Restaurant Openings and Closings

During the three month period ended December 23, 2007, five new Pizza Inn franchise restaurants opened, including four domestic Buffet Units and one international restaurant. Six domestic restaurants were closed by franchisees (two Buffet Units and four Express Units), typically because of unsatisfactory standards of operation or poor performance. During the six month period ended December 23, 2007, a total of eight new Pizza Inn franchise restaurants opened, including five domestic and three international. Domestically, fifteen restaurants were closed by franchisees or the Company, typically because of unsatisfactory standards of operation or poor performance and five international restaurants were closed by franchisees. We do not believe that these closings had any material impact on the collectibility of our outstanding receivables and royalties due to us because (i) these amounts have been reserved for and (ii) these closed restaurants were generally lower volume restaurants whose financial impact on our business as a whole was not significant. For those restaurants that are anticipated to close or are exhibiting signs of financial distress, credit terms are typically restricted, weekly food orders are required to be paid for on delivery and/or with certified funds and royalty and advertising fees are collected as add-ons to the delivered price of weekly food orders. The following charts summarize restaurant activity for the three and six month periods ended December 23, 2007 and December 24, 2006 respectively:

Three months ended December 23, 2007

Domestic		Beginning of Period	Opened	Closed	Concept Change	End of Period
	Buffet Units	163	4	2	-	165
	Delco Units	42	-	-	-	42
	Express Units	63	-	4	-	59
International Units		78	1	4	-	75
Total		346	5	10	-	341

Three months ended December 24, 2006

Domestic		Beginning of Period	Opened	Closed	Concept Change	End of Period
	Buffet Units	175	-	5	-	170
	Delco Units	48	-	1	1	48
	Express Units	70	2	2	(1)	69
International Units		77	-	-	-	77
Total		370	2	8	-	364

Six months ended December 23, 2007

Domestic	Beginning of Period	Opened	Closed	Concept Change	End of Period
Buffet Units	166	5	6	-	165
Delco Units	42	-	-	-	42
Express Units	68	-	9	-	59
International Units	77	3	5	-	75
Total	353	8	20	-	341

Six months ended December 24, 2006

Domestic	Beginning of Period	Opened	Closed	Concept Change	End of Period
Buffet Units	182	1	13	-	170
Delco Units	49	1	3	1	48
Express Units	70	3	3	(1)	69
International Units	74	5	2	-	77
Total	375	10	21	-	364

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operating activities, investing activities, and use of our credit facilities from time to time.

Cash flows from operating activities generally reflect net income or loss adjusted for depreciation and amortization, changes in working capital, accrued expenses, gains on asset sales, and provision for litigation costs. In the six month period ended December 23, 2007 the Company generated cash flows from operating activities of $164,000 as compared to cash used of ($2,898,000) by operating activities in the comparable period for the prior year. This increase in cash flow from operating activities was primarily due to increased food and supply sales and franchise revenues which were driven by a 0.6% increase in chain-wide retail sales, during the quarter ended December 23, 2007 compared to the comparable period for the prior fiscal year and lower legal expenses and other operating expense reductions which were the result of restructuring efforts, that included outsourcing certain administrative functions which lowered headcount, implemented during the six month period ended December 23, 2007 compared to the comparable period in the prior fiscal year.

Cash flows from investing activities generally reflect capital expenditures or proceeds from the sale of Company assets. The Company generated cash flows of $23,000 from investing activities for the six month period ended December 23, 2007 from the sale of used equipment and capital expenditures compared to cash provided by investing activities of $11,071,000 attributable to the sale of the Company's corporate office building and distribution facility on December 19, 2006 in the comparable period in the prior fiscal year.

Cash flows from financing activities generally reflect changes in the Company's borrowings during the period, repurchases of outstanding shares of our common stock and the exercise of stock options. Net cash used for financing activities was ($886,000) for the repurchase of common stock in the six month period ended December 23, 2007 compared to cash used of ($8,070,000) to pay off all of the Company's long term debt and to pay deferred financing costs for the CIT credit facility for the comparable period in the prior fiscal year. This decrease in the use of cash from financing activities was due to the repayment of all outstanding debt in the prior year.

Management believes that it is more likely than not, that the net deferred tax asset of $458,000 will be realized based on the Company's recent history of profit and the expectation of future taxable income as well as the future reversal of temporary differences. A valuation allowance has been provided for amounts in excess of the asset expected to be realized. For the three and six month periods ended December 23, 2007, the effective income tax rate of 0% differs from the statutory U.S. federal income tax rate of 34%, as the Company has provided a valuation allowance for the deferred tax assets for which it is considered more likely than not such assets will not be recognized.

On January 23, 2007, the Company and The CIT Group / Commercial Services, Inc. entered into an agreement for a revolving credit facility of up to $3.5 million (the "CIT credit facility"). The availability under the CIT credit facility is determined by advance rates on eligible inventory and accounts receivable. Interest on borrowings outstanding on the CIT credit facility is provided for at a rate equal to a range of the prime rate plus an interest rate margin of 0.0% to 0.5% or, at the Company's option, at the LIBOR rate plus an interest rate margin of 2.0% to 3.0%. The specific interest rate margin is based on the Company's performance under certain financial ratio tests. An annual commitment fee is payable on any unused portion of the CIT credit facility at a rate of 0.375%. All of the Company's (and its subsidiaries') personal property assets (including, but not limited to, accounts receivable, inventory, equipment, and intellectual property) have been pledged to secure payment and performance of the CIT credit facility, which is subject to customary covenants for asset-based loans.

On June 27, 2007, the Company and CIT entered into an agreement to amend the CIT credit facility to (i) allow the Company to repurchase Company common stock in an amount up to $3,000,000, (ii) allow the Company to make permitted cash distributions or cash dividend payments to the Company's shareholders in the ordinary course of business and (iii) increase the aggregate capital expenditure limit from $750,000 per fiscal year to $3,000,000. As of December 23, 2007, there were no borrowings outstanding on the CIT credit facility. The Company has used the facility to obtain one letter of credit for approximately $190,000 in connection with deposit requirements under the sale leaseback agreement and another letter of credit for approximately $230,000 to reinsurers to secure loss reserves. The $190,000 letter of credit obtained in connection with deposit requirements under the sale lease back agreement was terminated during the quarter ended December 23, 2007.

As previously described, on October 5, 2004, the Company filed a lawsuit against the law firm Akin, Gump, Strauss, Hauer and Feld. On October 10, 2007, the parties entered into a general release and settlement agreement relating to the lawsuit filed by the Company. Pursuant to the settlement agreement, each of the Company, Akin Gump and J. Kenneth Menges (i) denied wrongdoing and liability, (ii) agreed to mutual releases of liability, and (iii) agreed to dismiss all pending claims with prejudice. Akin Gump and Mr. Menges agreed to pay the Company $600,000 upon their counsel's receipt of the executed settlement agreement. On October 23, 2007, the Company received $284,000 of net proceeds after all contingent fees and expenses in full settlement of the case.

Contractual Obligations and Commitments

On August 15, 2007, the Company's President and CEO, Tim Taft, submitted to the Company's Board of Directors, his written notice of resignation as a director and President and Chief Executive Officer of the Company, effective immediately. In connection with Mr. Taft's separation from the Company, the Company agreed to pay Mr. Taft severance of $300,000 (representing one year of salary), payable in twelve equal monthly installments. This amount was recorded as severance expense in the quarter ended September 23, 2007.

Critical Accounting Policies and Estimates

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

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

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

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

Re-acquired development franchise rights are initially recorded at cost. When circumstances warrant, the Company assesses the recoverability of these assets based on estimated, undiscounted future cash flows, to determine if impairment in the value has occurred and an adjustment is necessary. If an adjustment is required, fair value is determined based on a discounted cash flow analysis and an impairment loss would be recorded.

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 NOL carryforward 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 materially impacted by changes in future taxable income and the results of tax strategies.

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation Number 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for income taxes by prescribing the minimum requirements a tax position must meet before being recognized in the financial statements. In addition, FIN 48 prohibits the use of Statement of Financial Accounting Standards (SFAS) Number 5, Accounting for Contingencies, in evaluating the recognition and measurement of uncertain tax positions. We adopted FIN 48 on June 25, 2007 and recognized no adjustment in the liability for unrecognized tax benefits upon adoption. At December 23, 2007, the Company's unrecognized tax benefits, including interest and penalties, were $0 and the amount of unrecognized tax benefits that would impact the effective rate, if recognized, is $0. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits.

In September 2006, the FASB issued SFAS Number 157, Fair Value Measurements. SFAS Number 157 establishes a framework for measuring fair value within generally accepted accounting principles clarifies the definition of fair value within that framework and expands disclosures about the use of fair value measurements. SFAS Number 157 does not require any new fair value measurements in generally accepted accounting principles. However, the definition of fair value in SFAS Number 157 may affect assumptions used by companies in determining fair value. The Company will be required to adopt SFAS Number 157 on June 30, 2008. The Company has not completed its evaluation of the impact of adoption of SFAS Number 157 on the Company's financial statements, but currently believes the impact of the adoption of SFAS Number 157 will not require material modification of the Company's fair value measurements and will be substantially limited to expanded disclosures in the notes to the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS Number 159, Fair Value Option for Financial Assets and Financial Liabilities. SFAS Number 159 permits entities to choose to measure many financial instruments, including employee stock option plans and operating leases accounted for in accordance with SFAS Number 13, Accounting for Leases, at their Fair Value. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company has not completed its evaluation of the impact of adoption of SFAS Number 159 on the Company's financial statements but currently believes the impact of the adoption of SFAS Number 159 will not require material modification of the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS Number 141 (Revised), Business Combinations. SFAS Number 141(R) improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of this Statement is not expected to have a material impact on the Company's financial position or results of operations.

In December 2007, the FASB issued SFAS Number 160, Noncontrolling Interests in Consolidated Financial Statements. SFAS Number 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary and clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This statement is effective for fiscal years beginning on or after December 15, 2008. The adoption of this Statement is not expected to have a material impact on the Company's financial position or results of operations.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company may have market risk exposure arising from changes in interest rates. The Company's earnings may be affected by changes in short-term interest rates as a result of borrowings under a credit facility, which typically bear interest based on floating rates. There is no current known impact since there is no outstanding indebtedness at December 23, 2007.

The Company is exposed to market risks from changes in commodity prices. During the normal course of business, the Company purchases cheese and certain other food products that are affected by changes in commodity prices and, as a result, the Company is subject to volatility in its food sales and cost of sales as the pricing schedule is based on the CME block price per pound of cheese. For example, based on an average block price (per the CME) per pound of cheese of $2.27 for the six month period ended December 23, 2007, the estimated decrease in annual sales from a hypothetical $0.20 decrease in the average cheese block price per pound would be approximately $521,000. Although management actively monitors this exposure, the Company has not entered into any hedging arrangements with respect to cheese or any other commodity prices.

The Company does not believe inflation has materially affected earnings during the past three years however, substantial increases in costs, particularly commodities, labor, benefits, insurance, utilities and fuel, could have a significant impact on the Company.

Item 4. Controls and Procedures

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

The Company's management, including the Company's principal executive officer and principal financial officer, or persons performing similar functions, have evaluated the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on the evaluation of the Company's disclosure controls and procedures required by paragraph (b) of Rule 13a-15 or Rule 15d-15 under the Exchange Act, the Company's principal executive and principal financial officers, or persons performing similar functions, have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

There was no change in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 of Rule 15d-15 under the Exchange Act that occurred during the Company's last fiscal quarter (the Company's fourth fiscal quarter in the case of any annual report) that has materially affected, or is reasonable likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On October 5, 2004, the Company filed a lawsuit against the law firm Akin, Gump, Strauss, Hauer & Feld, ("Akin Gump") and J. Kenneth Menges, one of the firm's partners. Akin Gump served as the Company's principal outside lawyers from 1997 through May 2004, when the Company terminated the relationship. The petition alleges that during the course of representation of the Company, the firm and Mr. Menges, as the partner in charge of the firm's services for the Company, breached certain fiduciary responsibilities to the Company by giving advice and taking action to further the personal interests of certain of the Company's executive officers to the detriment of the Company and its shareholders. Specifically, the petition alleges that the firm and Mr. Menges assisted in the creation and implementation of so-called "golden parachute" agreements, which, in the opinion of the Company's current counsel, provided for potential severance payments to those executives in amounts greatly disproportionate to the Company's ability to pay, and that, if paid, could expose the Company to significant financial liability which could have a material adverse effect on the Company's financial position.

On October 10, 2007, the parties entered into a general release and settlement agreement relating to the lawsuit filed by the Company. Pursuant to the settlement agreement, each of the Company, Akin Gump and J. Kenneth Menges (i) denied wrongdoing and liability, (ii) agreed to mutual releases of liability, and (iii) agreed to dismiss all pending claims with prejudice. Akin Gump and Mr. Menges agreed to pay the Company $600,000 upon their counsel's receipt of the executed settlement agreement. On October 23, 2007, the Company received $284,000 of net proceeds after all contingent fees and expenses.

On August 31, 2006, the Company was served with notice of a lawsuit filed against it by a former franchisee and its guarantors who operated one restaurant in the Harlingen, Texas market in 2003. The former franchisee and guarantor allege generally that the Company intentionally and negligently misrepresented costs associated with development and operation of the Company's franchise, and that as a result they sustained business losses that ultimately led to the closing of the restaurant. They seek damages of approximately $768,000, representing amounts the former franchisees claim to have lost in connection with their development and operation of the restaurant. In addition, they seek unspecified punitive damages, and recovery of attorneys' fees and court costs. The Eastern District of Texas magistrate recently ruled in the Company's favor to transfer this action to the Northern District of Texas pursuant to the forum selection clause in the franchise agreement. On December 18, 2007, the parties entered into an Agreed Stipulation of Dismissal and Order where the plaintiff agreed to dismiss the claim, in federal court, with prejudice and plaintiff agreed that he has sixty days to re-file the case in the state district courts of Dallas County, Texas. The Company is currently waiting to see if plaintiff files in state court. Due to the preliminary nature of this matter and the general uncertainty surrounding the outcome of any form of legal proceeding, it is not practicable for the Company to provide any certain or meaningful analysis, projection or expectation at this time regarding the outcome of this matter. Although the outcome of the legal proceeding cannot be projected with certainty, the Company believes that the plaintiff's allegations are without merit. The Company intends to vigorously defend against such allegations and to pursue all relief to which it may be entitled, including pursuing a counterclaim for recovery of past due amounts, future lost royalties and attorneys' fees and costs. An adverse outcome to the proceeding could materially affect the Company's financial position and results of operation. The Company has not made any accrual for such amounts as of December 23, 2007.

Except as reported herein, there have been no material developments in the three month period ended December 23, 2007 in any material pendinglegal proceedings to whichthe Companyor any of its subsidiaries is a party or of which any of their property is subject.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in the Company's most recent Form 10-K in response to Item 1A to Part I of Form 10-K.

Item 2. Changes in Securities and the Use of Proceeds

On May 23, 2007, our board of directors approved a stock purchase plan (the “2007 Stock Purchase Plan”) authorizing the purchase on our behalf of up to 1,016,000 shares of our common stock in the open market or in privately negotiated transactions. The following table furnishes information concerning purchases made for the six month period ended December 23, 2007:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number Of Shares Purchased As Part Of Publicly Announced Plans Or Programs	Maximum Number Of Shares That May Yet Be Purchased Under The Plans Or Programs
				1,016,000
Month #1 (June 25, 2007 – July 29, 2007)	-	$ -	-	1,016,000
Month #2 (July 30, 2007 – August 26, 2007)	2,924	$ 2.31	2,924	1,013,076
Month #3 (August 27, 2007 – September 23, 2007)	13,080	$ 2.19	13,080	999,996
Month #4 (September 24, 2007 – October 28, 2007)	22,509	$ 2.47	22,509	977,487
Month #5 (October 29, 2007 – November 25, 2007)	119,334	$ 2.85	119,334	858,153
Month #6 (November 26, 2007 – December 23, 2007)	155,160	$ 2.87	155,160	702,993
Total	313,007	$ 2.80	313,007 (1)	702,993

(1) These shares were purchased pursuant to the 2007 Stock Purchase Plan which was announced on May 23, 2007. Our board of directors approved the purchase of up to 1,016,000 shares of our common stock pursuant to the 2007 Stock Purchase Plan. The 2007 Stock Purchase Plan does not have any expiration date.

Our ability to purchase shares of our common stock is subject to various laws, regulations and policies as well as the rules and regulations of the Securities and Exchange Commission. We intend to make further purchases under the 2007 Stock Purchase Plan. We may also purchase shares of our common stock other than pursuant to the 2007 Stock Purchase Plan and other than pursuant to a publicly announced plan or program.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

At the Company's 2007 Annual Meeting of Shareholders held on December 13, 2007, the shareholders of the Company elected the following directors, constituting the entire Board of Directors of the Company, to serve terms expiring at the Company's 2008 Annual Meeting of Shareholders.

	For	Withheld	Abstain
W. C. Hammett, Jr.	9,017,010	2,414	5,898
Steven M. Johnson	9,016,828	2,596	5,898
James K. Zielke	9,016,688	2,736	5,898
Robert B. Page	9,016,982	2,442	5,898
Ramon D. Phillips	9,016,842	2,582	5,898
Mark E. Schwarz	9,016,682	2,742	5,898
Clinton J. Coleman	9,016,820	2,604	5,898

At the Company's 2007 Annual Meeting of Shareholders held on December 13, 2007, the shareholders of the Company also ratified the appointment of BDO Seidman, LLP as the Company's independent registered public accounting firm for fiscal year 2008 as follows:

	For	Against	Abstain
Ratification of BDO Seidman, LLP as the Company's independent registered public accounting firm.	9,004,663	5,218	15,440

Item 5. Other Information

Not applicable.

Item 6. Exhibits

3.1 Restated Articles of Incorporation (filed as Item 3.2 to Form 10-K for the fiscal year ended June 25, 2006 filed on November 30, 2006 and incorporated herein by reference)

3.2 Amended and Restated Bylaws (filed as Item 3.1 to Form 10-K for the fiscal year ended June 25, 2006and incorporated herein by reference)

31.1 Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.

31.2 Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.

32.1 Section 1350 Certification of Principal Executive Officer.

32.2 Section 1350 Certification of Principal Financial Officer.

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

By:/s/ J. Kevin Bland
J. Kevin Bland
Vice President and Controller
(Principal Financial Officer)

Dated: February 5, 2008

Exhibit 31.1

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

I, Charles R. Morrison, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end ofthe period covered by this report based on such evaluation; and

    c. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

  b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2008

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

Exhibit 31.2

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

I, J. Kevin Bland, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2008

By: /s/ J. Kevin Bland
J. Kevin Bland
Vice President and Controller
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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

> The Quarterly Report on Form 10-Q for the quarter ended December 23, 2007 (the “Form 10-Q”) of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Date: February 5, 2008

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

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

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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

> The Quarterly Report on Form 10-Q for the quarter ended December 23, 2007 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Date: February 5, 2008

By: /s/ J. Kevin Bland
J. Kevin Bland
Vice President and Controller
(Principal Financial Officer)

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