

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 25, 2012

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

Commission File Number:0-12919

PIZZA INN HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Missouri
(State or other jurisdiction of
Incorporation or organization)

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

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

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

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

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

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

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

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

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

PIZZA INN HOLDINGS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 25,</u> <u>2012</u>	<u>March 27,</u> <u>2011</u>	<u>March 25,</u> <u>2012</u>	<u>March 27,</u> <u>2011</u>
REVENUES:	\$ 10,646	\$ 10,721	\$ 32,129	\$ 31,708
COSTS AND EXPENSES:				
Cost of sales	8,863	8,679	26,724	25,854
Franchise expenses	592	472	1,565	1,288
General and administrative expenses	1,016	823	2,986	2,577
Costs associated with store closure	-	-	-	319
Bad debt	35	15	65	70
Interest expense	38	21	71	49
	<u>10,544</u>	<u>10,010</u>	<u>31,411</u>	<u>30,157</u>
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES	102	711	718	1,551
Income taxes	35	254	252	554
INCOME FROM CONTINUING OPERATIONS	67	457	466	997
Loss from discontinued operations, net of taxes	(15)	(15)	(45)	(47)
NET INCOME	<u>\$ 52</u>	<u>\$ 442</u>	<u>\$ 421</u>	<u>\$ 950</u>
EARNINGS PER SHARE OF COMMON STOCK - BASIC:				
Income from continuing operations	\$ 0.01	\$ 0.06	\$ 0.06	\$ 0.13
Loss from discontinued operations	-	-	(0.01)	(0.01)
Net income	<u>\$ 0.01</u>	<u>\$ 0.06</u>	<u>\$ 0.05</u>	<u>\$ 0.12</u>
EARNINGS PER SHARE OF COMMON STOCK - DILUTED:				
Income from continuing operations	\$ 0.01	\$ 0.06	\$ 0.06	\$ 0.13
Loss from discontinued operations	-	-	(0.01)	(0.01)
Net income	<u>\$ 0.01</u>	<u>\$ 0.06</u>	<u>\$ 0.05</u>	<u>\$ 0.12</u>
Weighted average common shares outstanding - basic	<u>8,021</u>	<u>8,011</u>	<u>8,015</u>	<u>8,011</u>
Weighted average common and potential dilutive common shares outstanding	<u>8,385</u>	<u>8,016</u>	<u>8,322</u>	<u>8,013</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

ASSETS	March 25, 2012 (unaudited)	June 26, 2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 694	\$ 949
Accounts receivable, less allowance for bad debts of \$223 and \$162, respectively	3,335	3,128
Inventories	1,689	1,829
Income tax receivable	653	553
Deferred income tax assets	776	822
Prepaid expenses and other	326	232
Total current assets	7,473	7,513
LONG-TERM ASSETS		
Property, plant and equipment, net	4,788	3,196
Long-term notes receivable	22	51
Deposits and other	477	392
	\$ 12,760	\$ 11,152
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 2,101	\$ 2,103
Accrued expenses	1,360	1,557
Deferred revenues	191	202
Bank debt	765	333
Total current liabilities	4,417	4,195
LONG-TERM LIABILITIES		
Bank debt, net of current portion	1,096	482
Deferred tax liability	605	360
Deferred revenues, net of current portion	135	165
Deferred gain on sale of property	90	109
Other long-term liabilities	28	-
Total liabilities	6,371	5,311
COMMITMENTS AND CONTINGENCIES (See Note 3)		
SHAREHOLDERS' EQUITY		
Common stock, \$.01 par value; authorized 26,000,000 shares; issued 15,140,319 and 15,130,319 shares, respectively; outstanding 8,020,919 and 8,010,919 shares, respectively	151	151
Additional paid-in capital	9,136	9,009
Retained earnings	21,738	21,317
Treasury stock at cost		
Shares in treasury: 7,119,400	(24,636)	(24,636)
Total shareholders' equity	6,389	5,841
	\$ 12,760	\$ 11,152

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended	
	March 25, 2012	March 27, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 421	\$ 950
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	663	689
Stock compensation expense	104	73
Deferred tax	46	189
Provision for bad debts	65	70
Net income adjusted for non-cash items	1,299	1,971
Changes in operating assets and liabilities:		
Notes and accounts receivable	(394)	(634)
Inventories	140	(218)
Accounts payable - trade	(2)	(112)
Accrued expenses	76	7
Deferred revenue	(60)	10
Prepaid expenses and other	(175)	(130)
Net changes in operating assets and liabilities	(415)	(1,077)
Cash provided by operating activities	884	894
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(2,208)	(1,520)
Cash used by investing activities	(2,208)	(1,520)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	23	-
Borrowings of bank debt	1,795	660
Repayments of bank debt	(749)	(91)
Cash provided by financing activities	1,069	569
Net decrease in cash and cash equivalents	(255)	(57)
Cash and cash equivalents, beginning of period	949	761
Cash and cash equivalents, end of period	\$ 694	\$ 704

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

CASH PAYMENTS FOR:

Interest	\$ 55	\$ 49
Income taxes - net	37	510

See accompanying Notes to Condensed Consolidated Financial Statements.

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

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

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

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

Principles of Consolidation

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

Cash and Cash Equivalents

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

Fiscal Quarters

The three and nine month periods ended March 25, 2012 and March 27, 2011, each contained 13 weeks and 39 weeks, respectively.

Revenue Recognition

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

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

Stock-Based Compensation

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

Use of Management Estimates

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

Reclassification

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

(2) Long-Term Debt

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

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

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

The obligations of the Company under the Amended and Restated Loan Agreement are guaranteed by each of the subsidiaries of the Company and are secured by a pledge of all of the stock of such subsidiaries as well as security interests in substantially all of the assets of the Company and its subsidiaries including, but not limited to, accounts receivable, inventory and equipment. The Amended and Restated Loan Agreement contains various affirmative covenants which, among other things, require the Company to provide Amegy with certain financial statements, compliance statements, reports and other information. The Amended and Restated Loan Agreement also contains various negative covenants which, among other things, require the Company to maintain certain financial ratios and restrict the ability of the Company to engage in certain activities. The Company is in compliance with all covenants as of the reporting date. If an event of default occurs under the Amended and Restated Loan Agreement, Amegy may terminate all commitments under the credit facilities and declare all unpaid principal, interest and other amounts owing under the credit facilities to be immediately due and payable. As of March 25, 2012 the balance on the term loan facility was \$1.9 million with an interest rate of 6% and the balance on the revolving credit facility was zero with an interest rate of 5%.

(3) Commitments and Contingencies

On April 22, 2009, the Company's board of directors amended the stock purchase plan first adopted on May 23, 2007, and previously amended on June 2, 2008, to increase the number of shares of common stock the Company may repurchase to a total of 3,016,000 shares. As of March 25, 2012, up to an additional 848,425 shares could be purchased under the plan.

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

(4) **Stock-Based Compensation**

For the quarter and nine months ended March 25, 2012, we recognized stock-based compensation expense of \$30,000 and \$102,700. As of March 25, 2012, unamortized stock-based compensation expense was \$0.2 million.

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

	Nine Months Ended	
	March 25, 2012	March 27, 2011
Outstanding at beginning of year	604,036	565,510
Granted	169,032	20,996
Exercised	(10,000)	-
Forfeited/Canceled/Expired	(15,000)	(25,000)
Outstanding at end of period	<u>748,068</u>	<u>561,506</u>
Exercisable at end of period	<u>518,024</u>	<u>407,010</u>

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

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

	Three Months Ended			
	March 25, 2012		March 27, 2011	
	Diluted	Basic	Diluted	Basic
Income from continuing operations	\$ 67	\$ 67	\$ 457	\$ 457
Discontinued operations	(15)	(15)	(15)	(15)
Net income available to common stockholders	<u>\$ 52</u>	<u>\$ 52</u>	<u>\$ 442</u>	<u>\$ 442</u>
Weighted average common shares	8,021	8,021	8,011	8,011
Dilutive stock options	364	-	5	-
Average common shares outstanding	<u>8,385</u>	<u>8,021</u>	<u>8,016</u>	<u>8,011</u>
Income from continuing operations per share	\$ 0.01	\$ 0.01	\$ 0.06	\$ 0.06
Discontinued operations loss per common share	-	-	-	-
Net income per common share	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.06</u>	<u>\$ 0.06</u>

	Nine Months Ended			
	March 25, 2012		March 27, 2011	
	Diluted	Basic	Diluted	Basic
Income from continuing operations	\$ 466	\$ 466	\$ 997	\$ 997
Discontinued operations	(45)	(45)	(47)	(47)
Net income available to common stockholders	<u>\$ 421</u>	<u>\$ 421</u>	<u>\$ 950</u>	<u>\$ 950</u>
Weighted average common shares	8,015	8,015	8,011	8,011
Dilutive stock options	307	-	2	-
Average common shares outstanding	<u>8,322</u>	<u>8,015</u>	<u>8,013</u>	<u>8,011</u>
Income from continuing operations per share	\$ 0.06	\$ 0.06	\$ 0.13	\$ 0.13
Discontinued operations loss per common share	(0.01)	(0.01)	(0.01)	(0.01)
Net income per common share	<u>\$ 0.05</u>	<u>\$ 0.05</u>	<u>\$ 0.12</u>	<u>\$ 0.12</u>

For the three and nine months ended March 25, 2012, options to purchase 75,000 shares of common stock at an exercise price of \$5.51 were excluded from the computation of diluted EPS because the options' exercise price exceeded the average market price of the common shares for the periods. For the three and nine months ended March 27, 2011, options to purchase 425,000 shares of common stock at exercise prices ranging from \$2.00 to \$3.17 were excluded from the computation of diluted EPS because the options' exercise prices exceeded the average market price of the common shares for the periods.

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

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

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

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

(7) **Income Taxes**

For the three and nine month periods ended March 25, 2012, income tax expense of \$35,000 and \$252,000, respectively, was calculated on an effective income tax rate that is consistent with the statutory U.S. federal income tax rate of 34% adjusted for state income tax effects and permanent difference items. Management believes that future operations will generate sufficient taxable income, along with the reversal of temporary differences, to fully realize the net deferred tax asset of \$0.8 million.

(8) **Segment Reporting**

Summarized in the following tables are net sales and operating revenues, operating income and geographic information (revenues) for the Company's reportable segments for the three month and nine month periods ended March 25, 2012 and March 27, 2011 (in thousands). Operating income reported below excludes income tax provision and discontinued operations.

	Three Months Ended		Nine Months Ended	
	March 25, 2012	March 27, 2011	March 25, 2012	March 27, 2011
Revenue:				
Franchising and food and supply distribution	\$ 8,993	\$ 9,587	\$ 27,929	\$ 28,720
Company-owned restaurants (1)	1,653	1,134	4,200	2,988
Consolidated revenues	<u>\$ 10,646</u>	<u>\$ 10,721</u>	<u>\$ 32,129</u>	<u>\$ 31,708</u>
Depreciation and amortization:				
Franchising and food and supply distribution	\$ -	\$ -	\$ -	\$ -
Company-owned restaurants (1)	198	98	459	581
Combined	198	98	459	581
Corporate administration and other	71	44	191	108
Depreciation and amortization	<u>\$ 269</u>	<u>\$ 142</u>	<u>\$ 650</u>	<u>\$ 689</u>
Income (loss) from continuing operations before taxes:				
Franchising and food and supply distribution (2)	\$ 692	\$ 1,171	\$ 2,456	\$ 3,484
Company-owned restaurants (1) (2)	(199)	(42)	(598)	(706)
Combined	493	1,129	1,858	2,778
Corporate administration and other (2)	(391)	(418)	(1,140)	(1,227)
Operating income	<u>\$ 102</u>	<u>\$ 711</u>	<u>\$ 718</u>	<u>\$ 1,551</u>
Geographic information (revenues):				
United States	\$ 10,424	\$ 10,472	\$ 31,312	\$ 30,969
Foreign countries	222	249	817	739
Consolidated total	<u>\$ 10,646</u>	<u>\$ 10,721</u>	<u>\$ 32,129</u>	<u>\$ 31,708</u>

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

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

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

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

Results of Operations

Overview

The Company operates and franchises pizza buffet, delivery/carry-out and express restaurants domestically and internationally under the trademark "Pizza Inn" and operates domestic fast casual pizza restaurants ("Pie Five Units") under the trademark "Pie Five Pizza Company." We provide or facilitate food, equipment and supply distribution to our domestic and international system of restaurants through our Norco Restaurant Services Company ("Norco") division and through agreements with third party distributors. At March 25, 2012, the Company operated five Company-owned Pie Fie restaurants and the Pizza Inn trademarked system consisted of 291 restaurants, including four Company-owned restaurants and 287 franchised restaurants. The 209 domestic Pizza Inn restaurants were comprised of 135 buffet restaurants ("Buffet Units"), 28 delivery/carry-out restaurants ("Delco Units") and 46 express restaurants ("Express Units"). The 82 international Pizza Inn franchised restaurants were comprised of 19 Buffet Units, 53 Delco Units and 10 Express Units. Domestic restaurants were located predominantly in the southern half of the United States, with Texas, North Carolina, Arkansas and Mississippi accounting for approximately 34%, 17%, 10% and 8%, respectively, of the total number of domestic restaurants.

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

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

Basic and diluted income per common share decreased \$0.05 to \$0.01 for the three month period ended March 25, 2012 compared to \$0.06 in the comparable period in the prior fiscal year. Net income for the three month period ended March 25, 2012 decreased \$0.39 million to \$0.05 million compared to \$0.44 million for the comparable period in the prior fiscal year, on revenues of \$10.6 million for the three month period ended March 25, 2012 and \$10.7 million for the comparable period in the prior year. Earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the third quarter of fiscal 2012 decreased 54.2%, or \$0.5 million, to \$0.4 million compared to \$0.9 million for the comparable period in the prior fiscal year.

Basic and diluted income per common share decreased \$0.07 to \$0.05 for the nine month period ended March 25, 2012 compared to \$0.12 in the comparable period in the prior fiscal year. Net income for the nine month period ended March 25, 2012 decreased \$0.5 million to \$0.42 million compared to \$0.95 million for the comparable period in the prior fiscal year, on revenues of \$32.1 million for the nine month period ended March 25, 2012 and \$31.7 million for the comparable period in the prior fiscal year. EBITDA for the first three quarters of fiscal 2012 decreased 37.8%, or \$0.8 million, to \$1.4 million compared to \$2.2 million for the comparable period in the prior fiscal year.

The reduction in net income from prior year is primarily due to lower revenue earned from franchising and food and supply sales and higher costs related to 1) the continued development of the Pie Five concept, 2) the corporate reorganization into a holding company structure, and 3) the expansion of franchising into China. The total costs associated with these activities were approximately \$0.13 million and \$0.59 million for the three and nine month periods ended March 25, 2012, respectively.

Management believes that key performance indicators in evaluating financial results include domestic and international chain-wide retail sales and the number and type of operating restaurants. The following tables summarize these key performance indicators for franchise locations. All amounts are in thousands except the average number of units.

Franchise Stores	Three Months Ended		Nine Months Ended	
	March 25, 2012	March 27, 2011	March 25, 2012	March 27, 2011
Domestic retail sales of Buffet Units	\$ 24,471	\$ 25,561	\$ 73,348	\$ 75,692
Domestic retail sales of Delco Units	1,592	1,654	5,120	5,161
Domestic retail sales of Express Units	960	921	2,785	2,804
Total domestic retail sales	<u>\$ 27,023</u>	<u>\$ 28,136</u>	<u>\$ 81,253</u>	<u>\$ 83,657</u>
Average number of domestic Buffet Units	130	142	133	145
Average number of domestic Delco Units	27	30	29	31
Average number of domestic Express Units	46	46	46	47

	Three Months Ended		Nine Months Ended	
	March 25, 2012	March 27, 2011	March 25, 2012	March 27, 2011
International retail sales of Buffet Units	\$ 822	\$ 1,344	\$ 2,447	\$ 3,930
International retail sales of Delco Units	2,685	2,600	8,079	7,904
International retail sales of Express Units	591	381	1,755	1,136
Total International retail sales	<u>\$ 4,098</u>	<u>\$ 4,325</u>	<u>\$ 12,281</u>	<u>\$ 12,970</u>
Average number of International Buffet Units	13	16	12	16
Average number of International Delco Units	49	45	49	45
Average number of International Express Units	8	6	8	7

Total domestic chain-wide franchisee retail sales decreased \$1.1 million, or 4.0%, and \$2.4 million, or 2.9%, and international chain-wide retail sales decreased \$0.2 million, or 5.2%, and \$0.7 million, or 5.3%, for the three and nine months ended March 25, 2012, respectively, when compared to the prior year. Domestic same store franchisee retail sales decreased \$0.4 million, or 1.4%, for the three months ended March 25, 2012, and decreased \$0.3 million, or 0.1%, for the nine months ended March 25, 2012, when compared to the prior year. International same store franchisee retail sales decreased 0.4% for the three months ended March 25, 2012, and decreased 1.6% for the nine months ended March 25, 2012, when compared to the prior year.

The following table summarizes the results and key performance indicators for the Pie Five and Pizza Inn restaurants included in the Company-owned restaurants segment. We believe this information is useful to management and investors to measure the performance of the Company-owned restaurants. These indicators provide performance trend information as well as the cash flow of the restaurants before pre-opening costs and allocated corporate administration and other expenses. This information is important in evaluating the effectiveness of our business strategies and for planning and budgeting purposes. The three and nine month periods ended March 25, 2012 and March 27, 2011, each contained 13 weeks and 39 weeks, respectively. All amounts are in thousands except the store weeks, average weekly sales and the average number of units.

<u>Pie Five - Company-Owned Restaurants</u>	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 25,</u> <u>2012</u>	<u>March 27,</u> <u>2011</u>	<u>March 25,</u> <u>2012</u>	<u>March 27,</u> <u>2011</u>
Store weeks	60	-	102	-
Average weekly sales	12,079	-	12,768	-
Average number of units	5	-	3	-
Restaurant sales	725	-	1,305	-
Restaurant operating income	105	-	196	-
Depreciation/amortization expense	(92)	-	(146)	-
Pre-opening costs	(70)	-	(246)	-
Allocated corporate administration and other expenses	(38)	-	(65)	-
Income (loss) from continuing operations before taxes	(95)	-	(261)	-

<u>Pizza Inn - Company-Owned Restaurants</u>	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 25,</u> <u>2012</u>	<u>March 27,</u> <u>2011</u>	<u>March 25,</u> <u>2012</u>	<u>March 27,</u> <u>2011</u>
Store weeks	52	65	166	168
Average weekly sales	17,776	17,371	17,398	17,704
Average number of units	4	5	4	4
Restaurant sales	928	1,134	2,895	2,988
Restaurant operating income	52	125	149	235
Depreciation/amortization expense	(106)	(99)	(313)	(581)
Pre-opening costs	-	-	-	(163)
Allocated corporate administration and other expenses	(50)	(68)	(173)	(197)
Income (loss) from continuing operations before taxes	(104)	(42)	(337)	(706)

Store weeks represent the total number of weeks Company-owned restaurants were open during the period. Average weekly sales represents the average weekly revenues earned by the Company-owned restaurants that were open during the period. Restaurant operating income represents the income earned by Company-owned restaurants plus 1) depreciation and amortization, 2) pre-opening expenses, and 3) allocated corporate administration and other expenses. Pre-opening expenses consist primarily of certain costs incurred prior to the opening of a restaurant, including: 1) marketing and promotional expenses, 2) accrued rent, and 3) manager salaries, employee payroll and related training costs.

Revenues

Revenues are derived from 1) sales of food, paper products and supplies from Norco to franchisees, 2) franchise royalties and franchise fees, and 3) Company-owned restaurant operations. Financial results are dependent in large part upon the volume, pricing and cost of the products and supplies sold to franchisees. The volume of products sold by Norco to franchisees is dependent on the level of franchisee chain-wide retail sales, which are impacted by changes in same store sales and restaurant count, and the products sold to franchisees through Norco rather than through third-party food distributors.

Total revenues for the three month period ended March 25, 2012 and for the same period in the prior fiscal year were \$10.6 million and \$10.7 million, respectively. Total revenues for the nine month period ended March 25, 2012 increased 1.3%, or \$0.4 million, to \$32.1 million during the current nine month period ended March 25, 2012 compared to \$31.7 million the same period in the prior fiscal year. Revenue for these periods consisted of the following:

	Three Months Ended		Nine Months Ended	
	March 25, 2012	March 27, 2011	March 25, 2012	March 27, 2011
Food and supply sales	\$ 8,111	\$ 8,650	\$ 25,155	\$ 25,841
Franchise revenue	882	937	2,774	2,879
Restaurant sales	1,653	1,134	4,200	2,988
Total revenue	<u>\$ 10,646</u>	<u>\$ 10,721</u>	<u>\$ 32,129</u>	<u>\$ 31,708</u>

Food and Supply Sales

Food and supply sales by Norco include food and paper products and other distribution revenues. For the three month period ended March 25, 2012, food and supply sales decreased to \$8.1 million compared to \$8.7 million the same period in the prior fiscal year due primarily to a decrease in sales to franchisees as a result of a \$1.1 million, or 4.0%, decrease in domestic franchisee retail sales primarily attributable to a reduction in the average number of stores open and a decrease in same store sales in the current year when compared the prior year. In addition, some of our franchisees increased their purchases of certain non-proprietary items from third party food distributors. In response, the Company has worked collaboratively with franchisees to develop new specifications for the impacted products, which we believe should support a return to our historical levels of sales of products to franchisees relative to franchisee retail sales.

For the nine month period ended March 25, 2012, food and supply sales decreased to \$25.2 million compared to \$25.8 million the same period in the prior fiscal year primarily due to a decrease in sales to franchisees as a result of a \$2.4 million, or 2.9%, decrease in domestic franchisee retail sales primarily attributable to a reduction in the average number of stores open, a decrease in franchisee same store sales in the current year when compared to the prior year and a decrease in the volume of non-proprietary products purchased from Norco. Partially offsetting this reduction in sales were price increases of approximately 7.3% due primarily to increases in certain food commodity costs for the nine month period ended March 25, 2012.

Franchise Revenue

Franchise revenue, which includes income from domestic and international royalties and license fees, decreased to \$0.88 million for the three month period ended March 25, 2012 compared to \$0.94 million for the same period in the prior fiscal year as the result of lower royalties resulting from lower franchisee retail sales. Franchise revenue for the nine months ended March 25, 2012 decreased to \$2.8 million from \$2.9 million compared to the same period in the prior fiscal year as the result of lower royalties and lower area developer fees.

Restaurant Sales

Restaurant sales, which consist of revenue generated by Company-owned restaurants, increased 45.8%, or \$0.5 million, to \$1.7 million for the three month period ended March 25, 2012, compared to \$1.1 million for the comparable period in the prior year and 40.6%, or \$1.2 million, to \$4.2 million for the nine month period ended March 25, 2012, compared to \$3.0 million for the comparable period in the prior fiscal year. These increases were primarily due to the opening of three new Company-owned restaurants in fiscal 2011 and four new Company-owned restaurants during the nine months ended March 25, 2012, partially offset by the closing of one Company-owned restaurant in each of the first fiscal quarters of 2011 and 2012.

Costs and Expenses

Cost of Sales

Cost of sales, which primarily includes food and supply costs, distribution fees, and labor and general and administrative expenses directly related to restaurant sales, increased 2.1%, or \$0.2 million, to \$8.9 million for the three month period ended March 25, 2012 compared to \$8.7 million for the comparable period for the prior fiscal year. Cost of sales increased 3.4%, or \$0.9 million, to \$26.7 million for the nine month period ended March 25, 2012 compared to \$25.9 million for the comparable period for the prior fiscal year. The increases in costs were associated primarily with the new Company-owned restaurants and higher direct costs associated with food and supply sales as a result of increases in commodity prices, offset by lower costs due to reduced food and supply sales.

Franchise Expenses

Franchise expenses include selling, general and administrative expenses directly related to the sale and continuing service of domestic and international franchises. These expenses increased \$0.12 million and \$0.28 million for the three and nine month periods ended March 25, 2012, respectively, compared to the comparable periods in the prior fiscal year primarily due to \$4,000 and \$36,000, respectively, in costs associated with opening a new franchise location in China, \$27,000 and \$143,000, respectively, of higher payroll expense and \$63,000 and \$70,000, respectively, of higher marketing expenses associated with the development and testing of a pipeline of new menu items. The higher payroll costs during the three and nine month periods ended March 25, 2012 were a result of the addition of management resources during fiscal 2012 to build the necessary infrastructure to continue to develop and expand the Pie Five concept.

General and Administrative Expenses

General and administrative expenses increased \$0.2 million to \$1.0 million, for the three month period ended March 25, 2012 compared to \$0.8 million for the comparable period for the prior fiscal year primarily due to pre-opening and other operating expenses associated with the new Company-owned Pie Five restaurants. General and administrative expenses increased \$0.4 million to \$3.0 million for the nine month period ended March 25, 2012 compared to \$2.6 million for the comparable period for the prior fiscal year primarily due to pre-opening expenses and other operating expenses for the new Company-owned Pie Five restaurants, and legal and other expenses of approximately \$67,000 relating to the Company reorganization into a holding company structure. Pre-opening expenses for the new Company-owned Pie Five restaurants were approximately \$70,000 and \$246,000 for the three and nine months ended March 25, 2012, respectively.

Costs Associated with Restaurant Closure

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

Provision for Income Tax

For the three and nine month periods ended March 25, 2012, income tax expense of \$35,000 and \$252,000, respectively, was calculated on an effective income tax rate that is consistent with the statutory U.S. federal income tax rate of 34% adjusted for state income tax effects and permanent difference items. Management believes that future operations will generate sufficient taxable income, along with the reversal of temporary differences, to fully realize the net deferred tax asset of \$0.8 million.

Discontinued Operations

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

Restaurant Openings and Closings

The following charts summarize restaurant activity for the three and nine month periods ended March 25, 2012 and March 27, 2011:

Three months ended March 25, 2012

	<u>Beginning of Period</u>	<u>Opened</u>	<u>Closed</u>	<u>End of Period</u>
Domestic:				
Buffet Units	136	1	2	135
Delco Units	30	1	3	28
Pie Five Units	4	1	-	5
Express Units	47	-	1	46
International Units	82	-	-	82
Total	<u>299</u>	<u>3</u>	<u>6</u>	<u>296</u>

Three months ended March 27, 2011

	<u>Beginning of Period</u>	<u>Opened</u>	<u>Closed</u>	<u>End of Period</u>
Domestic:				
Buffet Units	150	1	7	144
Delco Units	33	-	1	32
Pie Five Units	-	-	-	-
Express Units	48	-	3	45
International Units	76	1	-	77
Total	<u>307</u>	<u>2</u>	<u>11</u>	<u>298</u>

Nine months ended March 25, 2012

	<u>Beginning of Period</u>	<u>Opened</u>	<u>Closed</u>	<u>End of Period</u>
Domestic:				
Buffet Units	141	2	8	135
Delco Units	32	2	6	28
Pie Five Units	1	4	-	5
Express Units	45	2	1	46
International Units	79	4	1	82
Total	<u>298</u>	<u>14</u>	<u>16</u>	<u>296</u>

Nine months ended March 27, 2011

	<u>Beginning of Period</u>	<u>Opened</u>	<u>Closed</u>	<u>End of Period</u>
Domestic:				
Buffet Units	151	5	12	144
Delco Units	35	2	5	32
Pie Five Units	-	-	-	-
Express Units	49	3	7	45
International Units	77	2	2	77
Total	<u>312</u>	<u>12</u>	<u>26</u>	<u>298</u>

Non-GAAP Financial Measures

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

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

	Three Months Ended	
	March 25, 2012	March 27, 2011
Net Income	\$ 52	\$ 442
Interest Expense	38	21
Taxes	35	254
Depreciation and Amortization	269	143
EBITDA	<u>\$ 394</u>	<u>\$ 860</u>

	Nine Months Ended	
	March 25, 2012	March 27, 2011
Net Income	\$ 421	\$ 950
Interest Expense	71	49
Taxes	252	554
Depreciation and Amortization	650	689
EBITDA	<u>\$ 1,394</u>	<u>\$ 2,242</u>

Liquidity and Capital Resources

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

Cash flows from operating activities generally reflect net income adjusted for certain non-cash items including depreciation and amortization, changes in deferred tax assets, share based compensation, and changes in working capital. Cash provided by operating activities was \$0.9 for the nine month periods ended March 25, 2012 and March 27, 2011.

Cash flows from investing activities generally reflect capital expenditures for the purchase of Company assets. The Company used cash of \$2.2 million for the nine month period ended March 25, 2012, primarily for new Company-owned restaurants that opened or will open in the Dallas/Fort Worth, Texas area. This compares to cash used by investing activities of \$1.5 million during the same period in the prior fiscal year attributable to two Company-owned restaurants that opened in the Dallas/Fort Worth, Texas area.

Cash flows from financing activities generally reflect changes in the Company's borrowings during the period. Net cash provided by financing activities was \$1.1 million for the nine month period ended March 25, 2012 compared to \$0.6 million for the comparable period in the prior fiscal year.

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

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

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

The obligations of the Company under the Amended and Restated Loan Agreement are guaranteed by each of the subsidiaries of the Company and are secured by a pledge of all of the stock of such subsidiaries as well as security interests in substantially all of the assets of the Company and its subsidiaries including, but not limited to, accounts receivable, inventory and equipment. The Amended and Restated Loan Agreement contains various affirmative covenants which, among other things, require the Company to provide Amegy with certain financial statements, compliance statements, reports and other information. The Amended and Restated Loan Agreement also contains various negative covenants which, among other things, require the Company to maintain certain financial ratios and restrict the ability of the Company to engage in certain activities. The Company is in compliance with all covenants as of the reporting date. If an event of default occurs under the Amended and Restated Loan Agreement, Amegy may terminate all commitments under the credit facilities and declare all unpaid principal, interest and other amounts owing under the credit facilities to be immediately due and payable. As of March 25, 2012 the balance on the term loan facility was \$1.9 million with an interest rate of 6% and the balance on the revolving credit facility was zero with an interest rate of 5%.

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

Critical Accounting Policies and Estimates

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

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

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

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

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for a smaller reporting company.

Item 4. Controls and Procedures

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Not required for a smaller reporting company.

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

On May 23, 2007, the board of directors of the Company approved a stock purchase plan (the "2007 Stock Purchase Plan") authorizing the purchase of up to 1,016,000 shares of the Company's common stock in the open market or in privately negotiated transactions. On June 2, 2008, the Company's board of directors amended the 2007 Stock Purchase Plan to increase the number of shares the Company may repurchase by 1,000,000 shares to a total of 2,016,000 shares. On April 22, 2009, the board of directors further amended the 2007 Stock Purchase Plan by increasing the aggregate number of shares the Company may repurchase by 1,000,000 shares to a total of 3,016,000 shares. The 2007 Stock Purchase Plan does not have an expiration date. There were no stock purchases in the three or nine months ending March 25, 2012. As of March 25, 2012, up to an additional 848,425 shares could be purchased under the 2007 Stock Purchase Plan.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

- 3.1 Articles of Incorporation (filed as Exhibit 3.1 to Form 8-K filed on September 23, 2011 and incorporated herein by reference).
- 3.2 By-laws (filed as Exhibit 3.1 to Form 8-K filed on September 23, 2011 and incorporated herein by reference).
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
- 32.1 Section 1350 Certification of Principal Executive Officer.
- 32.2 Section 1350 Certification of Principal Financial Officer.
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T.

SIGNATURES

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

PIZZA INN HOLDINGS, INC.
(Registrant)

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

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

Dated: May 9, 2012

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

I, Charles R. Morrison, certify that:

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

Date: May 9, 2012

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

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

I, Jerome L. Trojan III, certify that:

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

Date: May 9, 2012

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

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

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

The accompanying Quarterly Report on Form 10-Q for the quarter ended March 25, 2012 (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: May 9, 2012

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

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

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

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

The accompanying Quarterly Report on Form 10-Q for the quarter ended March 25, 2012 (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: May 9, 2012

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

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