

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant []

Filed by a Party other than the Registrant [X]

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

PIZZA INN, INC.

(Name of Registrant as Specified in Its Charter)

NEWCASTLE PARTNERS, L.P.
NEWCASTLE CAPITAL MANAGEMENT, L.P.
NEWCASTLE CAPITAL GROUP, L.L.C.
MARK E. SCHWARZ
STEVEN J. PULLY
RAMON D. PHILLIPS
ROBERT B. PAGE

(Name of Persons(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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[] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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NEWCASTLE PARTNERS, L.P.

January 2, 2004

Dear Fellow Shareholder:

Newcastle Partners, L.P. ("Newcastle Partners") is the beneficial owner of an aggregate of 3,583,780 shares of Common Stock of Pizza Inn, Inc. ("Pizza Inn" or the "Company"), representing approximately 35.6% of the outstanding Common Stock of the Company. Newcastle Partners does not believe that two of the three incumbent directors nominated by the board of directors of the Company for election at the upcoming annual meeting of shareholders of the Company are the best possible candidates for election as directors. NEWCASTLE PARTNERS ALSO DOES NOT BELIEVE THAT THE BOARD OF DIRECTORS OF THE COMPANY ACTED IN YOUR BEST INTERESTS IN APPROVING VARIOUS AMENDMENTS TO THE COMPANY'S BYLAWS.

Newcastle Partners is therefore seeking your support at the annual meeting of shareholders scheduled to be held at the Company's headquarters at 3551 Plano Parkway, The Colony, Texas 75056 on Wednesday, January 21, 2004, at 11:00 A.M. (Dallas time) for (i) the election of its slate of nominees to the board of directors of the Company, two of whom differ from the Company's slate, (ii) the adoption of proposals to repeal certain amendments to the Company's bylaws approved by the board of directors of the Company on December 18, 2002 and (iii) the adoption of a resolution recommending that the board of directors of the Company reimburse Newcastle Partners for all expenses it incurs in connection with this proxy solicitation.

Newcastle Partners urges you to carefully consider the information contained in the attached Proxy Statement and then support its efforts by signing, dating and returning the enclosed GOLD proxy today. The attached Proxy Statement and the enclosed GOLD proxy card are first being furnished to the shareholders on or about January 5, 2004.

If you have already voted for the incumbent management slate you have every right to change your vote by signing, dating and returning a later dated proxy.

If you have any questions or require any assistance with your vote please contact MacKenzie Partners, Inc., which is assisting us, at their address and toll-free numbers listed on the following page.

Thank you for your support,

Mark E. Schwarz
Newcastle Partners, L.P.

If you have any questions, require assistance in voting your GOLD proxy card, or need additional copies of Newcastle Partners' proxy materials, please call MacKenzie Partners at the phone numbers listed below.

[MACKENZIE PARTNERS LOGO]

105 Madison Avenue
New York, New York 10016
(212) 929-5500 (Call Collect)
PROXY@MACKENZIEPARTNERS.COM

or

ANNUAL MEETING OF SHAREHOLDERS
OF
PIZZA INN, INC.

PROXY STATEMENT
OF
NEWCASTLE PARTNERS, L.P.

PLEASE SIGN, DATE AND MAIL THE ENCLOSED GOLD PROXY CARD TODAY

Newcastle Partners, L.P., a Texas limited partnership ("Newcastle Partners" or "we"), is the largest shareholder of Pizza Inn, Inc., a Missouri corporation ("Pizza Inn" or the "Company"). Newcastle Partners is writing to you in connection with the election of three nominees to the board of directors of Pizza Inn (the "Pizza Inn Board") at the annual meeting of shareholders scheduled to be held at 11:00 A.M. (Dallas time), on Wednesday, January 21, 2004, at the Company's headquarters at 3551 Plano Parkway, The Colony, Texas 75056, including any adjournments or postponements thereof and any meeting which may be called in lieu thereof (the "Annual Meeting"). Newcastle Partners has nominated three directors, one of whom has also been nominated by the Pizza Inn Board and currently serves as a director and two of whom are in opposition to Pizza Inn's incumbent directors, whose terms expire at the Annual Meeting.

This proxy statement (the "Proxy Statement") and the enclosed GOLD proxy card are being furnished to shareholders of Pizza Inn by Newcastle Partners in connection with the solicitation of proxies from Pizza Inn's shareholders to be used at the Annual Meeting to elect Newcastle Partners' nominees, Steven J. Pully, Robert B. Page and Ramon D. Phillips (the "Nominees"), to the Pizza Inn Board. Newcastle Partners is also seeking the support of shareholders to adopt proposals to repeal certain amendments to the Company's bylaws approved by the Pizza Inn Board on December 18, 2002 and to adopt a resolution recommending that the Pizza Inn Board reimburse Newcastle Partners for all expenses it incurs in connection with this proxy solicitation. Newcastle Partners, Newcastle Capital Management, L.P. ("Newcastle Management"), Newcastle Capital Group, L.L.C. ("Newcastle Capital"), Mark E. Schwarz, Steven J. Pully, Robert B. Page and Ramon D. Phillips are members of a group (the "Group") formed in connection with this proxy solicitation and are deemed participants in this proxy solicitation. See "Participant Information." This Proxy Statement and the GOLD proxy card are first being furnished to Pizza Inn's shareholders on or about January 5, 2004.

Pizza Inn has set the record date for determining shareholders entitled to notice of and to vote at the Annual Meeting as November 26, 2003 (the "Record Date"). The principal executive offices of Pizza Inn are located at 3551 Plano Parkway, The Colony, Texas 75056. Shareholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting.

According to Pizza Inn, as of the Record Date, there were 10,068,674 shares of common stock, \$.01 par value per share (the "Shares"), outstanding and entitled to vote at the Annual Meeting. Newcastle Partners, along with all of the participants in this solicitation, are the beneficial owners of an aggregate of 3,638,643 Shares, which represents approximately 36.1% of the Shares outstanding (based on information publicly disclosed by Pizza Inn). The participants in this solicitation intend to vote such Shares for the election of the Nominees and the other proposals described herein.

THIS SOLICITATION IS BEING MADE BY NEWCASTLE PARTNERS AND NOT ON BEHALF OF THE BOARD OF DIRECTORS OR MANAGEMENT OF PIZZA INN. NEWCASTLE PARTNERS IS NOT AWARE OF ANY OTHER MATTERS TO BE BROUGHT BEFORE THE ANNUAL MEETING. SHOULD OTHER MATTERS, WHICH NEWCASTLE PARTNERS IS NOT AWARE OF A REASONABLE TIME BEFORE THIS SOLICITATION, BE BROUGHT BEFORE THE ANNUAL MEETING, THE PERSONS NAMED AS PROXIES IN THE ENCLOSED GOLD PROXY CARD WILL VOTE ON SUCH MATTERS IN THEIR DISCRETION.

NEWCASTLE PARTNERS URGES YOU TO SIGN, DATE AND RETURN THE GOLD PROXY CARD IN FAVOR OF THE ELECTION OF ITS NOMINEES AND THE SHAREHOLDER PROPOSALS DESCRIBED IN THIS PROXY STATEMENT.

IF YOU HAVE ALREADY SENT A PROXY CARD FURNISHED BY PIZZA INN MANAGEMENT TO THE PIZZA INN BOARD, YOU MAY REVOKE THAT PROXY AND VOTE FOR THE ELECTION OF NEWCASTLE PARTNERS' NOMINEES AND THE SHAREHOLDER PROPOSALS DESCRIBED HEREIN BY SIGNING, DATING AND RETURNING THE ENCLOSED GOLD PROXY CARD. THE LATEST DATED PROXY IS THE ONLY ONE THAT COUNTS. ANY PROXY MAY BE REVOKED AT ANY TIME PRIOR TO

THE ANNUAL MEETING BY DELIVERING A WRITTEN NOTICE OF REVOCATION OR A LATER DATED PROXY FOR THE ANNUAL MEETING TO NEWCASTLE PARTNERS, C/O MACKENZIE PARTNERS, INC. WHICH IS ASSISTING IN THIS SOLICITATION, OR TO THE SECRETARY OF PIZZA INN, OR BY VOTING IN PERSON AT THE ANNUAL MEETING.

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IMPORTANT

Your vote is important, no matter how many or how few Shares you own. Newcastle Partners urges you to sign, date, and return the enclosed GOLD proxy card today to vote FOR the election of Newcastle Partners' Nominees, FOR the adoption of proposals to repeal certain bylaw amendments approved by the Pizza Inn Board on December 18, 2002 and FOR the approval of the resolution recommending that the Pizza Inn Board reimburse Newcastle Partners for all expenses it incurs in connection with this proxy solicitation.

- o If your Shares are registered in your own name, please sign and date the enclosed GOLD proxy card and return it to Newcastle Partners, c/o MacKenzie Partners, Inc., in the enclosed envelope today.
- o If any of your Shares are held in the name of a brokerage firm, bank, bank nominee or other institution on the Record Date, only it can vote such Shares and only upon receipt of your specific instructions. Accordingly, please contact the person responsible for your account and instruct that person to execute on your behalf the GOLD proxy card. Newcastle Partners urges you to confirm your instructions in writing to the person responsible for your account and to provide a copy of such instructions to Newcastle Partners, c/o MacKenzie Partners, Inc., who is assisting in this solicitation, at the address and telephone numbers set forth below, and on the back cover of this Proxy Statement, so that we may be aware of all instructions and can attempt to ensure that such instructions are followed.

If you have any questions regarding your proxy,
or need assistance in voting your Shares, please call:

[MACKENZIE PARTNERS LOGO]

105 Madison Avenue
New York, New York 10016
(212) 929-5500 (Call Collect)
PROXY@MACKENZIEPARTNERS.COM

or

CALL TOLL FREE (800) 322-2885

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PROPOSAL NO. 1 - ELECTION OF DIRECTORS

REASONS FOR ELECTING THE NOMINEES

We are asking you to support our Nominees so as to:

- o elect nominees who will be strong advocates for advancing shareholder interests and improving corporate governance policies;
- o elect nominees who will bring significant public company experience and experience in the restaurant business and the pizza franchising business in particular; and
- o elect nominees who will take actions that we believe will be in the best interests of the Company's franchisees.

As further described below, we believe that the election of the Nominees represents the best means for Pizza Inn's shareholders to maximize the value of their Shares. Robert B. Page and Ramon D. Phillips have significant experience in the restaurant industry and the pizza franchising business in particular. Mr. Page has worked for over 24 years in the restaurant industry, including over 9 years for national pizza chains. Mr. Phillips is an advisory member of the Pizza Inn Board, a former member of senior management and of the board of Pizza Inn and a current franchisee of the Company. Steven J. Pully has extensive experience in finance, law and accounting and also as a director and officer of various public companies including the Company. If elected to the

Pizza Inn Board, the Nominees will use their experience to oversee the Company with the goal of achieving consistent profitability while exercising their fiduciary duties to advance shareholder and franchisee interests and explore all available alternatives to maximize shareholder value. There can be no assurance that these goals will be achieved if the Nominees are elected.

The Company's Restated Articles of Incorporation and Amended and Restated Bylaws provide that the board of directors shall be divided into two classes. Three Class II directors are up for election at the Annual Meeting. Mark E. Schwarz is a Class I director of the Company (term expiring in 2004) and Steven J. Pully is a Class II director of the Company (term expiring in 2003). Mr. Pully is also a nominee of the Company for election to the Pizza Inn Board at the Annual Meeting. Mr. Pully is also being included as part of Newcastle Partners' slate in the event that the Company takes any action that would have the effect of excluding Mr. Pully from the Company's slate.

THE COMPANY HAS ATTEMPTED TO USE THE CHANGE OF CONTROL PROVISIONS IN EMPLOYMENT AGREEMENTS WITH MANAGEMENT TO DETER NEWCASTLE PARTNERS FROM SEEKING THE ELECTION OF ITS NOMINEES.

A majority of the members of the Pizza Inn Board have attempted to deter Newcastle Partners from opposing management's slate of incumbent directors at the Annual Meeting, alleging that the change of control provisions in the employment agreements with certain executives would be triggered, creating a

potential liability to the Company of over \$7 million in change of control payouts, including tax gross-up payments, as follows:

Pizza Inn Officer	Lump Sum Payment	Portion of Lump Sum Payment NOT Deductible by Pizza Inn for Federal Income Tax Purposes
Ronald Parker	\$5,400,000	\$3,300,000
Keith Clark	\$762,000	\$451,000
Ward Olgreen	\$630,000	\$362,000
Shawn Preator	\$597,000	\$369,000

Under each of the employment agreements, a "Change of Control" is deemed to have occurred if "individuals who, as of [December 16, 2002] constitute[d] the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to [December 16, 2002] whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rules 14a-1 and 14a-12 of Regulation 14A promulgated under the Securities Exchange Act of 1934) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board." According to management's proxy statement for the Annual Meeting (the "Management Proxy Statement"), counsel to the Company (which was also counsel to the Company when the employment agreements were adopted) has delivered to the Pizza Inn Board a written legal opinion, subject to certain assumptions, limitations, qualifications and exceptions, that a Texas court in a properly presented case should conclude that Messrs. Schwarz, Pully and Phillips would not constitute "Incumbent Directors." According to the Management Proxy Statement, counsel to Pizza Inn has also advised the Pizza Inn Board that it is their opinion that if Newcastle Partners' Nominees were elected to the Pizza Inn Board at the Annual Meeting, those individuals would also not be considered "Incumbent Directors" and a "Change of Control" would occur.

We believe that Messrs. Schwarz and Pully are "Incumbent Directors" under a plain reading of the employment agreements as they were appointed by an agreement of a majority of the Pizza Inn Board and not due to an "actual or threatened solicitation of proxies." We also believe that Mr. Phillips should be deemed an "Incumbent Director" if elected by virtue of the fact that he was a director of the Company at the time the new employment agreements were adopted by the Pizza Inn Board. We also note Pizza Inn counsel's acknowledgement in its opinion as to the "absence of cases on this point" and that "we [Company counsel] provide no assurance that a Texas court would agree with our interpretation of this language or our opinion with respect thereto." There can

be no assurance that in the event the employment of one or more of the executive officers were to terminate for any reason (including voluntary termination of employment) within twelve months after a purported "Change of Control," that in any legal proceedings disputing whether a "Change of Control" has occurred, any of Messrs. Schwarz, Pully or Phillips will be determined to be an "Incumbent Director." The Management Proxy Statement states that the Company could be obligated to make "Change of Control" payments aggregating approximately \$7.4 million. In addition, the Management Proxy Statement states that if Mr. Parker were no longer Chief Executive Officer of the Company, the Company would be in default under approximately \$9.5 million of indebtedness owed to Wells Fargo Bank (Texas). Additionally, the Company's interest rate swap agreement will be in default, and as of September 28, 2003, the payoff amount was approximately \$800,000.

NEWCASTLE PARTNERS BELIEVES THE PIZZA INN BOARD SHOULD ADOPT A LONG TERM STRATEGIC PLAN FOR THE FUTURE.

We believe that the Company should adopt a long term strategic plan to improve its business and enhance shareholder value. To the knowledge of the Nominees, the Company has not adopted a long term strategic plan. If elected, the Nominees intend to take action to adopt a long term strategic plan, the focus of which is to take the following actions and such other actions they deem appropriate to improve the Company's business:

- o Reinvest in the Pizza Inn brand by opening up additional franchisee and company locations;
- o Evaluate the cost model of the franchisees by undertaking a market-based benchmarking study of competitors to compare the sales, costs, unit investment, margins and return on investment of competitors to those of the Company's franchisees;
- o Develop a corporate culture that ties compensation to performance.

The Nominees have not undertaken any studies to determine the cost of implementing any long term strategic plan. To the extent required, the Nominees intend to utilize cash flow from operations and possibly available lines of credit or capital raising activities to implement a long term strategic plan. There can be no assurance that the foregoing actions will be implemented if our Nominees are elected, that there will be available capital to finance any long term strategic plan that may be adopted or that the election of our Nominees will improve the Company's business or otherwise enhance shareholder value. Your vote to elect the Nominees does not constitute a vote in favor of our value enhancing plans for Pizza Inn. Your vote to elect the Nominees will have the legal effect of replacing two incumbent directors of Pizza Inn with our Nominees. Neither we (nor to our knowledge, any other person on our behalf) has made or undertaken any analysis or reports as to whether shareholder value will be maximized as a result of this solicitation or obtained reports from consultants or other outside parties as to whether the proposals presented herein would have an effect on shareholder value. There can be no assurance that shareholder value will be maximized as a result of this solicitation or the election of the Nominees.

WE ARE SOLICITING PROXIES TO ELECT OUR NOMINEES AS A LAST RESORT. WE SUBMITTED TO THE PIZZA INN BOARD THE NAMES AND RESUMES OF 18 POTENTIAL INDEPENDENT DIRECTOR NOMINEES FOR ELECTION AT THE ANNUAL MEETING, NONE OF WHOM WERE CONSIDERED FOR NOMINATION.

On October 10, 2003, Mark Schwarz submitted to the Pizza Inn Board the names and resumes of 18 qualified and experienced potential director nominees, including Mr. Page, that Mr. Schwarz had interviewed at his own expense. Mr. Schwarz recommended that the Pizza Inn Board nominate two of the 18 potential nominees for election at the Annual Meeting. None of these individuals were contacted by the Company or discussed at subsequent Board meetings. We believe that the refusal to seriously consider qualified, independent director nominees submitted by a member of the Board that controls the largest investment stake in the Company is an example of certain members of the Pizza Inn Board attempting to entrench themselves.

On December 4, 2003, we made a verbal proposal to the Company to resolve our disputes. We proposed that the nominees for election at the Annual Meeting would include two of three persons (including Mr. Pully) then currently

nominated by the Pizza Inn Board and Robert B. Page as an additional nominee, Steven J. Pully would be appointed Chairman of the Pizza Inn Board at the Annual Meeting and one of each of Messrs. Schwarz, Pully or Page would be appointed to each committee of the Pizza Inn Board at the Annual Meeting. We also proposed that Messrs. Parker, Clark, Olgreen and Preator acknowledge in their sole discretion that Messrs. Schwarz and Pully are "Incumbent Directors" as such term is defined in the employment agreements and that the Pizza Inn Board would designate Mr. Page as an "Incumbent Director" under the employment agreements. In addition, we proposed that the Company repeal certain bylaw amendments adopted by the Pizza Inn Board immediately after the 2002 Annual Meeting of Shareholders (which we are asking you to repeal under Proposal No. 2 of this Proxy Statement), any future changes to the Company's bylaws or the employment agreements could only be approved by a supermajority vote of five of seven directors and no changes to the bylaws or employment agreements could be enacted or pursued by the Pizza Inn Board prior to the Annual Meeting. We also proposed that the Company reimburse us for certain expenses incurred in connection with our negotiation of a settlement and our threatened election contest. On December 8, 2003, the Company responded with a written counterproposal stating that the controlling members of the Pizza Inn Board are not opposed to including Mr. Page on the Company slate or the committee representation request, but believe that the Chairman of the Board should continue to be elected on an annual basis by a majority of the Pizza Inn Board. The Company also indicated that it did not have the ability to designate a director as incumbent as defined in the Company's employment agreements, the individual employees have not agreed to waive the

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Change of Control provision, the Company is not opposed to revising the relevant sections of the bylaws in a manner to be agreed upon with Newcastle Partners, but is opposed to a supermajority voting requirement, and the Company and Newcastle Partners would agree to bear their own legal and travel expenses. The counterproposal indicated that it was presented as a package and "not meant to resolve individual issues in the event the total proposal is unacceptable." On December 15, 2003, we delivered a letter to the Chairman of the Pizza Inn Board, expressing our disappointment with the Company's counterproposal. We were not able to reach a mutually agreeable compromise with the Company on the disputed issues.

WE BELIEVE THAT PIZZA INN'S SHARE PRICE OVER THE PAST SEVERAL YEARS DEMONSTRATES THE COMPANY'S FAILURE TO CREATE VALUE FOR ITS SHAREHOLDERS.

- o According to the Management Proxy Statement, during the period from June 28, 1998 through June 29, 2003, Pizza Inn's Share price performance trailed by over 45 percentage points the Dow Jones Equity Market Index, a broad equity market index.
- o According to the Management Proxy Statement, during this period Pizza Inn's Share price performance trailed by over 48 percentage points the Dow Jones Entertainment and Leisure Restaurant Index, an index comprised of public companies engaged in the restaurant or related lines of businesses.

We believe that the Share price will over the long term continue to languish and underperform its peer groups under the leadership of the Pizza Inn Board as currently composed. On December 17, 2003, the Share price closed at \$2.84.

THE NOMINEES

The following information sets forth the name, business address, present principal occupation, and employment and material occupations, positions, offices, or employments for the past five years of each of the Nominees. This information has been furnished to Newcastle Partners by the Nominees. The Nominees are citizens of the United States of America.

STEVEN J. PULLY (Age 43). Mr. Pully has been employed by Newcastle Management, the general partner of Newcastle Partners, since December 2001 and has served as its President since January 2003. He is also a director and officer of Geoworks Corporation, an entity with no significant business operations, a director of MaxWorldwide, Inc., an online advertising, sales and representation company, a director, member of the Audit Committee and the Financial Representative on the Audit Committee of Pizza Inn and Chief Executive Officer and a director of privately-held Pinnacle Frames and Accents, Inc., a manufacturer of picture frames. Prior to joining Newcastle Management from May 2000 to December 2001, he was a managing director in the mergers and acquisitions department of Banc of America Securities and from January 1997 to May 2000 he was a senior managing director at Bear Stearns. Prior to becoming an investment banker, Mr. Pully practiced securities and corporate law at the law firm Baker & Botts.

address is 300 Crescent Court, Suite 1110, Dallas, Texas 75201.

ROBERT B. PAGE (Age 44). Since August 2003, Mr. Page has been a franchisee for Shoney's, Inc., a family dining restaurant. From November 2000 until September 2002, Mr. Page was Chief Operations Officer of Gordon Biersch Brewery Restaurants, Inc., a group of casual dining restaurants, and from 1993 through 2000, he worked for Romacorp, Inc., which owned Tony Roma's, a chain of casual dining restaurants, where he was Chief Executive Officer and a board member from 1998 through 2000 and President and Chief Operations Officer from 1993 through 1998. From 1988 through 1993, he worked for NPC International, Inc., which owned approximately 370 Pizza Hut franchises, and was Senior Vice President of Operations from 1991 through 1993. Prior to working for NPC, he also worked in the food service industry for Rally's Hamburgers, Godfather's Pizza, Luther's BBQ and Pizza Hut, Inc., holding such positions as area supervisor, district manager and restaurant manager. The current business address for Mr. Page is 6515 Ringgold Road, East Ridge, Tennessee 37412.

RAMON D. PHILLIPS (Age 70). Mr. Phillips is currently retired. He is the former Chairman of the Board, President and Chief Executive Officer of Hallmark Financial Services, Inc., a financial services company. He served as Chairman and Chief Executive Officer of Hallmark from 1989 through March 2001, and as Chairman through August 2001. Prior to Hallmark, Mr. Phillips had over fifteen years of experience in the franchise restaurant industry, serving in executive positions with Kentucky Fried Chicken (1969-1974) and Pizza Inn (1974-1989). He was elected a director of Pizza Inn in 1990 and served through December 2002. He was appointed to the position of advisory director in December 2002. The current business address of Mr. Phillips is 7024 Rosebrook, Collyville, Texas 76034.

The Nominees will not receive any compensation from Newcastle Partners for their services as directors of Pizza Inn other than the normal compensation Steven J. Pully receives for his services as President of Newcastle Management. Other than as stated herein, there are no arrangements or understandings between Newcastle Partners and any of the Nominees or any other person or persons pursuant to which the nomination described herein is to be made, other than the consent by each of the nominees to be named in this Proxy Statement and to serve as a director of Pizza Inn if elected as such at the Annual Meeting. None of the Nominees has been convicted in any criminal proceedings (excluding traffic violations or similar misdemeanors) over the past ten years. None of the Nominees is a party adverse to Pizza Inn or any of its subsidiaries or has a material interest adverse to Pizza Inn or any of its subsidiaries in any material pending legal proceedings.

As of the date hereof, Ramon D. Phillips beneficially owned 44,863 Shares, consisting of 16,880 Shares owned directly by Mr. Phillips, 22,650 Shares issuable upon the exercise of options owned by Mr. Phillips, and 5,333 Shares owned directly by Wholesale Software International, Inc., representing in the aggregate approximately 0.4% of the Company's issued and outstanding Shares. Mr. Phillips is a shareholder, director and executive officer of Wholesale Software and may be deemed to beneficially own the Shares owned by Wholesale

Software by virtue of his sole authority to vote and dispose of such shares. On November 7, 2003, Mr. Phillips sold 15,680 Shares to Newcastle Partners in a private transaction for \$2.75 per Share. There have been no other transactions in securities of Pizza Inn by Mr. Phillips during the past two years. As of the date hereof, neither Steven J. Pully nor Robert B. Page beneficially owned any securities of Pizza Inn or has purchased or sold any securities of Pizza Inn during the past two years.

Newcastle Partners does not expect that the Nominees will be unable to stand for election, but, in the event that such persons are unable to serve or for good cause will not serve, the Shares represented by the enclosed GOLD proxy card will be voted for substitute nominees. In addition, Newcastle Partners reserves the right to nominate substitute persons if Pizza Inn makes or announces any changes to its bylaws or takes or announces any other action that has, or if consummated would have, the effect of disqualifying the Nominees. In any such case, Shares represented by the enclosed GOLD proxy card will be voted for such substitute nominees. Newcastle Partners reserves the right to nominate additional persons if Pizza Inn increases the size of the Pizza Inn Board above its existing size or increases the number of directors serving as Class II directors above three. Additional nominations made pursuant to the preceding

sentence are without prejudice to the position of Newcastle Partners that any attempt to increase the size of the current Pizza Inn Board or to increase the number of directors serving as Class II directors constitutes an unlawful manipulation of Pizza Inn's corporate machinery.

YOU ARE URGED TO VOTE FOR THE ELECTION OF THE NOMINEES ON THE ENCLOSED GOLD PROXY CARD.

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PROPOSAL NO. 2 - REPEAL OF CERTAIN BYLAW AMENDMENTS

On December 6, 2002, Newcastle Partners acquired from a former director and executive officer of the Company an option to purchase an additional 2,905,000 shares of Common Stock of the Company which increased its beneficial ownership to 3,270,000 shares of Common Stock, or approximately 32.5% of the then outstanding shares of the Company. The Company was not a party to this transaction nor was approval of the transaction required or sought from the Company. After the acquisition, Newcastle Partners entered into discussions with the Company regarding its newly acquired ownership position. As a result of those discussions, on December 18, 2002, the date of the Company's 2002 Annual Meeting of Shareholders, Newcastle Partners and the Company entered into an agreement (the terms of which are further discussed in "Certain Transactions Between Newcastle Partners and Pizza Inn") wherein the Company agreed, among other things, to cause at least one member of each class of directors of the Company to resign from the Pizza Inn Board prior to the close of business on the following day and to appoint Messrs. Schwarz and Pully to replace the resigning directors. Between the time the agreement had been executed by the parties and the formal appointment of Messrs. Schwarz and Pully to the Pizza Inn Board the following day, the Board amended the Company's bylaws which we believe had the effect of divesting the shareholders of certain rights. With the exception of one bylaw amendment which Newcastle Partners had agreed to, the remainder of the bylaw amendments were not made known to Newcastle Partners prior to their adoption. Newcastle Partners believes that it would have been appropriate for Messrs. Schwarz and Pully to be informed of any proposed or contemplated changes to the Company's bylaws given that the Company had an obligation to appoint them to the Pizza Inn Board the following day. Such bylaw amendments (each, a "Bylaw Amendment" and collectively, the "Bylaw Amendments") include the following:

- o An amendment to Article III, Section 7, which eliminates the ability of a shareholder to call a special meeting of shareholders;
- o A new Article III, Section 13, which requires a shareholder to comply with certain procedures and time constraints in order to bring business before a shareholders meeting; and
- o A new Article IV, Section 6, which requires a shareholder to comply with certain procedures and time constraints in order to nominate directors.

The full text of the bylaws that Newcastle Partners is seeking to repeal is set forth in Schedule I hereto. Newcastle Partners is seeking your vote to repeal all of the Bylaw Amendments. However, you may wish to repeal only a specific Bylaw Amendment, if so desired. Accordingly, each shareholder will be voting separately on each proposed Bylaw Amendment.

We believe that proper corporate governance procedures and practices and the level of management accountability that the Pizza Inn Board imposes are highly relevant to Pizza Inn's Share price performance and the success of its franchise business. We believe that the Pizza Inn Board lost sight of its responsibility to implement acceptable corporate governance procedures when it approved the Bylaw Amendments. Although the Company claims that the Bylaw Amendments were adopted to allow the Board to review any shareholder proposal before it is disseminated to the shareholders, we believe that the Bylaw Amendments effectively prevents the shareholders from calling a special meeting to conduct business or elect directors and limiting shareholders' ability to nominate directors and bring business proposals before shareholders meetings in a timely manner. Although the Company also claims that the Bylaw Amendments were adopted as anti-takeover provisions resulting in a management not readily susceptible to change, we believe that the Bylaw Amendments have also reduced the voice of shareholders in the governance of the Company at a time when critical actions must be taken to restore the confidence of the investing public and the franchisees.

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Accordingly, the shareholders are being asked to adopt the following resolutions that would have the effect of repealing the Bylaw Amendments that Newcastle Partners had not been made aware of prior to adoption:

"Resolved, that the amendment to Article III, Section 7 to the Amended and Restated Bylaws of Pizza Inn, Inc. adopted by the Board of Directors on December 18, 2002 be, and it hereby is, repealed effective as of the time this resolution is approved."

"Resolved, that the new Article III, Section 13 to the Amended and Restated Bylaws of Pizza Inn, Inc. adopted by the Board of Directors on December 18, 2002 be, and it hereby is, repealed effective as of the time this resolution is approved."

"Resolved, that the new Article IV, Section 6 to the Amended and Restated Bylaws of Pizza Inn, Inc. adopted by the Board of Directors on December 18, 2002 be, and it hereby is, repealed effective as of the time this resolution is approved."

YOU ARE URGED TO VOTE FOR THE REPEAL OF EACH OF THE BYLAW AMENDMENTS APPROVED BY THE PIZZA INN BOARD ON DECEMBER 18, 2002 ON THE ENCLOSED GOLD PROXY CARD.

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PROPOSAL NO. 3 - REIMBURSEMENT OF PROXY SOLICITATION EXPENSES OF NEWCASTLE PARTNERS

Newcastle Partners is incurring significant expenses in connection with this solicitation. Newcastle Partners is requesting that the Company reimburse Newcastle Partners for all expenses it incurs in connection with this solicitation and is seeking approval from the shareholders to authorize such reimbursement. To date, Newcastle Partners has incurred expenses of approximately \$50,000.00. Newcastle Partners estimates that its expenses will total approximately \$100,000.00, although such amount could increase. Newcastle Partners is seeking reimbursement of its expenses from the Company because it believes that the solicitation will benefit all shareholders of the Company. Although Newcastle Partners is expending its own working capital to finance this solicitation while Pizza Inn management is paying for its solicitation with the Company's cash, the Nominees, if elected, will not seek reimbursement if this proposal is not approved by the Company's shareholders.

Accordingly, the shareholders are being asked to adopt the following resolution recommending to the Pizza Inn Board that the Company reimburse Newcastle Partners of its expenses incurred in connection with this proxy solicitation:

"Resolved, that the shareholders recommend to the Board of Directors that Pizza Inn, Inc. reimburse Newcastle Partners, L.P. for all expenses it incurs in connection with its solicitation of proxies for the annual meeting of shareholders scheduled to be held on January 21, 2004, or any advancements, postponements, rescheduling or continuation thereof."

YOU ARE URGED TO VOTE FOR THE APPROVAL TO REIMBURSE NEWCASTLE PARTNERS OF ITS PROXY SOLICITATION EXPENSES ON THE ENCLOSED GOLD PROXY CARD.

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VOTING AND PROXY PROCEDURES

Only shareholders of record on the Record Date will be entitled to notice of and to vote at the Annual Meeting. Each Share is entitled to one vote. Shareholders who sell Shares before the Record Date (or acquire them without voting rights after the Record Date) may not vote such Shares. Shareholders of record on the Record Date will retain their voting rights in connection with the Annual Meeting even if they sell such Shares after the Record Date. Based on publicly available information, Newcastle Partners believes that the only outstanding class of securities of Pizza Inn entitled to vote at the Annual Meeting is the Shares.

Shares represented by properly executed GOLD proxy cards will be voted at the Annual Meeting as marked and, in the absence of specific instructions, will be voted FOR the election of the Nominees to the Pizza Inn Board, FOR the proposals to repeal the Bylaw Amendments and FOR the proposal to reimburse Newcastle Partners for all expenses it incurs in connection with this solicitation, and in the discretion of the persons named as proxies on all other matters as may properly come before the Annual Meeting.

We are asking you to elect our Nominees, two of whom are in opposition to the incumbent nominees whose terms expire at the Annual Meeting (Mr. Pully is a nominee on both the Company's slate and Newcastle Partners' slate) and the proposals to repeal the Bylaw Amendments and to reimburse Newcastle Partners for all expenses it incurs in connection with this proxy solicitation. The enclosed GOLD proxy card may only be voted for our Nominees and does not confer voting power with respect to the Company's nominees, other than Mr. Pully. Accordingly, you will not have the opportunity to vote for any of Pizza Inn's nominees other than Mr. Pully. You can only vote for Pizza Inn's nominees other than Mr. Pully by signing and returning a proxy card provided by Pizza Inn. Shareholders should refer to the Company's proxy statement for the names, backgrounds, qualifications and other information concerning Pizza Inn's nominees. The participants in this solicitation intend to vote all of their Shares in favor of the Nominees and the proposals to repeal the Bylaw Amendments and to reimburse Newcastle Partners for all expenses it incurs in connection with this proxy solicitation and will not vote their Shares in favor of any of Pizza Inn's nominees, other than Mr. Pully.

QUORUM

In order to conduct any business at the Annual Meeting, a quorum must be present in person or represented by valid proxies. A quorum consists of a majority of the Shares issued and outstanding on the Record Date. All Shares that are voted "FOR", "AGAINST" or "ABSTAIN" (or "WITHHOLD" in the case of election of directors) on any matter will count for purposes of establishing a quorum and will be treated as Shares entitled to vote at the Annual Meeting (the "Votes Present").

VOTES REQUIRED FOR APPROVAL

Election of Directors. A plurality of the total votes cast ("Votes Cast") by holders of the Shares for the Nominees is required for the election of directors and the three nominees who receive the most votes will be elected (assuming a quorum is present). A vote to "WITHHOLD" for any nominee for director will be counted for purposes of determining the Votes Present, but will have no other effect on the outcome of the vote on the election of directors. A Shareholder may cast such votes for the Nominees either by so marking the ballot at the meeting or by specific voting instructions sent with a signed proxy to either Newcastle Partners in care of MacKenzie Partners, Inc. at the address set forth on the back cover of this Proxy Statement or to Pizza Inn at 3551 Plano Parkway, The Colony, Texas 75056 or any other address provided by Pizza Inn.

Other Proposals. Other than the election of directors, the vote required for all other business matters set forth in this Proxy Statement is the affirmative vote of a majority of the Votes Present.

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ABSTENTIONS

Abstentions will count as Votes Present for the purpose of determining whether a quorum is present. Abstentions will not be counted as Votes Cast in the election of directors. Abstentions will have an effect as a vote against the proposals to repeal the Bylaw Amendments and proposal to approve the reimbursement of proxy solicitation expenses of Newcastle Partners.

BROKER NON-VOTES

Shares held in street name that are present by proxy will be considered as Votes Present for purposes of determining whether a quorum is present. With regard to certain proposals, the holder of record of Shares held in street name is permitted to vote as it determines, in its discretion, in the absence of direction from the beneficial holder of the Shares.

The term "broker non-vote" refers to shares held in street name that are not voted with respect to a particular matter, generally because the beneficial owner did not give any instructions to the broker as to how to vote such shares on that matter and the broker is not permitted under applicable rules to vote such shares in its discretion because of the subject matter of the proposal, but whose shares are present on at least one matter. Such shares shall be counted as Votes Present for the purpose of determining whether a quorum is present, if voting instructions are given by the beneficial owner as to at least one of the matters to be voted on. Broker non-votes will not be counted as Votes Cast or Votes Present with respect to matters as to which the record holder has expressly not voted. Accordingly, Newcastle Partners believes that broker non-votes will have no effect upon the outcome of voting on any of the business matters set forth in this Proxy Statement.

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REVOCATION OF PROXIES

Shareholders of Pizza Inn may revoke their proxies at any time prior to exercise by attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself constitute revocation of a proxy) or by delivering a written notice of revocation. The delivery of a subsequently dated proxy which is properly completed will constitute a revocation of any earlier proxy. The revocation may be delivered either to Newcastle Partners in care of MacKenzie Partners, Inc. at the address set forth on the back cover of this Proxy Statement or to Pizza Inn at 3551 Plano Parkway, The Colony, Texas 75056 or any other address provided by Pizza Inn. Although a revocation is effective if delivered to Pizza Inn, Newcastle Partners requests that either the original or photostatic copies of all revocations be mailed to Newcastle Partners in care of MacKenzie Partners, Inc. at the address set forth on the back cover of this Proxy Statement so that Newcastle Partners will be aware of all revocations and can more accurately determine if and when proxies have been received from the holders of record on the Record Date of a majority of the outstanding Shares. Additionally, MacKenzie Partners, Inc. may use this information to contact shareholders who have revoked their proxies in order to solicit later dated proxies for the election of the Nominees.

IF YOU WISH TO VOTE FOR THE ELECTION OF THE NOMINEES TO THE PIZZA INN BOARD, FOR THE PROPOSALS TO REPEAL THE BYLAW AMENDMENTS AND FOR THE PROPOSAL TO REIMBURSE NEWCASTLE PARTNERS FOR ALL EXPENSES IT INCURS IN CONNECTION WITH THIS PROXY SOLICITATION, PLEASE SIGN, DATE AND RETURN PROMPTLY THE ENCLOSED GOLD PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED.

SOLICITATION OF PROXIES

The solicitation of proxies pursuant to this Proxy Statement is being made by Newcastle Partners. Proxies may be solicited by mail, facsimile, telephone, telegraph, in person and by advertisements. Newcastle Partners will not solicit proxies via the Internet.

Newcastle Partners has entered into an agreement with MacKenzie Partners, Inc. for solicitation and advisory services in connection with this solicitation, for which MacKenzie Partners, Inc. will receive a fee not to exceed \$75,000.00, together with reimbursement for its reasonable out-of-pocket expenses, and will be indemnified against certain liabilities and expenses, including certain liabilities under the federal securities laws. MacKenzie Partners, Inc. will solicit proxies from individuals, brokers, banks, bank nominees and other institutional holders. Newcastle Partners has requested banks, brokerage houses and other custodians, nominees and fiduciaries to forward all solicitation materials to the beneficial owners of the Shares they hold of record. Newcastle Partners will reimburse these record holders for their reasonable out-of-pocket expenses in so doing. It is anticipated that MacKenzie Partners, Inc. will employ approximately 35 persons to solicit Pizza Inn's shareholders for the Annual Meeting.

The entire expense of soliciting proxies is being borne by Newcastle Partners pursuant to the terms of the Joint Filing and Solicitation Agreement (as defined below). Costs of this solicitation of proxies are currently

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estimated to be approximately \$100,000.00. Newcastle Partners estimates that through the date hereof, its expenses in connection with this solicitation are approximately \$50,000.00.

PARTICIPANT INFORMATION

Each member of the Group is a participant in this solicitation. Mark E. Schwarz is the managing member of Newcastle Capital, a Texas limited liability company, which is the general partner of Newcastle Management, a Texas limited partnership, which in turn is the general partner of Newcastle Partners, a Texas limited partnership. The principal occupation of Mr. Schwarz is serving as the managing member of Newcastle Capital. The principal business of Newcastle Capital is acting as the general partner of Newcastle Management. The principal business of Newcastle Management is acting as the general partner of Newcastle Partners. The principal business of Newcastle Partners is investing in securities. The principal business address of Mr. Schwarz, Newcastle Partners, Newcastle Management and Newcastle Capital is 300 Crescent Court, Suite 1110, Dallas, Texas 75201. As of the date hereof, Newcastle Partners is the beneficial owner of 3,583,780 Shares. Mark Schwarz, Newcastle Management and Newcastle Capital may be deemed to beneficially own the Shares held by Newcastle Partners by virtue of their affiliation with Newcastle Partners and each disclaims beneficial ownership of such Shares except to the extent of their pecuniary

interest therein. Mr. Schwarz also owns directly an additional 10,000 Shares. For information regarding purchases and sales of securities of Pizza Inn during the past two years by Newcastle Partners and Mr. Schwarz, see Schedule II.

On December 11, 2002, Newcastle Partners, Newcastle Management, Newcastle Group and Mark Schwarz entered into a Joint Filing Agreement whereby they agreed to file a joint Schedule 13D (and amendments thereto) with respect to the Shares (the "First Joint Filing Agreement"). On December 20, 2002, the parties to the First Joint Filing Agreement and Steven J. Pully entered into a separate joint filing agreement after Mr. Pully had been elected to the Pizza Inn Board (the "Second Joint Filing Agreement"). On October 31, 2003, the parties to the Second Joint Filing Agreement, Barry M. Barron, Sr. and Robert B. Page entered into a Joint Filing and Solicitation Agreement (the "Joint Filing and Solicitation Agreement"), in which, among other things, (i) the parties agreed to solicit proxies or written consents for the election of Steven J. Pully, Barry M. Barron, Sr. and Robert B. Page, or any other person(s) nominated by Newcastle Partners to the Pizza Inn Board at the Annual Meeting (the "Solicitation"); (ii) the parties agreed to solicit proxies or written consents to repeal amendments to the Company's bylaws approved by the Pizza Inn Board on December 18, 2002 and to cause Newcastle Partners to be reimbursed by the Company for its expenses incurred in connection with the Solicitation; (iii) the parties agreed to the joint filing on behalf of each of them of statements on Schedule 13D with respect to the securities of the Company, and (iv) Newcastle Partners agreed to bear certain expenses of the parties incurred in connection with the Solicitation. On November 17, 2003, the Joint Filing and Solicitation Agreement was amended whereby Ramon D. Phillips agreed to be a party to such agreement and to replace Barry M. Barron, Sr. as one of Newcastle Partners' nominees and Barry M. Barron, Sr. agreed to withdraw as a party to such agreement.

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CERTAIN TRANSACTIONS BETWEEN NEWCASTLE PARTNERS AND PIZZA INN

On December 6, 2002, Newcastle Partners acquired from a former director and executive officer of the Company an option to purchase an additional 2,905,000 shares of Common Stock of the Company which increased its beneficial ownership to 3,270,000 shares of Common Stock, or approximately 32.5% of the then outstanding shares of the Company. The Company was not a party to this transaction nor was approval of the transaction required or sought from the Company. After the acquisition, Newcastle Partners entered into discussions with the Company regarding its newly acquired ownership position. As a result of those discussions, on December 18, 2002, Newcastle Partners and the Company entered into an agreement wherein the Company agreed, among others things, to cause at least one member of each class of directors of the Company to resign from the Pizza Inn Board prior to the close of business on the following day. Upon obtaining such resignations, the Pizza Inn Board was required to replace the resigning directors with Mark E. Schwarz as a Class I director, with a term expiring at the 2004 annual meeting of shareholders of the Company, and Steven J. Pully as a Class II director, with a term expiring at the 2003 annual meeting of shareholders of the Company. Newcastle Partners also agreed to limit its direct and indirect beneficial ownership of Common Stock of the Company to no more than 40% of the Shares prior to the first anniversary of the agreement and no more than 45% of the Shares between the first and second anniversaries of the agreement. The agreement also provided that the bylaws of the Company would be amended to provide that for so long as a representative of Newcastle Partners serves on the Pizza Inn Board, the Company shall not expand the size of the Pizza Inn Board above seven members. The full text of the agreement is contained in a Schedule 13D amendment filed with the Securities and Exchange Commission by Newcastle Partners on December 23, 2003.

Except as set forth in this Proxy Statement (including the Schedules hereto), neither Newcastle Partners nor any of the other participants in this solicitation, or any of their respective associates: (i) directly or indirectly beneficially owns any Shares or any securities of Pizza Inn; (ii) has had any relationship with Pizza Inn in any capacity other than as a Shareholder, or is or has been a party to any transactions, or series of similar transactions, or was indebted to Pizza Inn during the past year with respect to any Shares or securities of Pizza Inn; or (iii) knows of any transactions during the past year, currently proposed transactions, or series of similar transactions, to which Pizza Inn or any of its subsidiaries was or is to be a party, in which the amount involved exceeds \$60,000 and in which any of them or their respective affiliates had, or will have, a direct or indirect material interest. In addition, other than as set forth herein, there are no contracts, arrangements or understandings entered into by Newcastle Partners or any other participant in this solicitation or any of their respective associates within the past year with any person with respect to any of Pizza Inn's securities, including, but not limited to, joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits, or the giving or withholding of proxies.

Except as set forth in this Proxy Statement (including the Schedules

hereto), neither Newcastle Partners nor any of the other participants in this solicitation, or any of their respective associates, has entered into any agreement or understanding with any person with respect to (i) any future employment by Pizza Inn or its affiliates or (ii) any future transactions to which Pizza Inn or any of its affiliates will or may be a party. However, Newcastle Partners has reviewed, and will continue to review, on the basis of publicly available information, various possible business strategies that it

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might consider in the event that the Nominees are elected to the Pizza Inn Board.

OTHER MATTERS AND ADDITIONAL INFORMATION

Newcastle Partners is unaware of any other matters to be considered at the Annual Meeting. However, should other matters, which Newcastle Partners is not aware of a reasonable time before this solicitation, be brought before the Annual Meeting, the persons named as proxies on the enclosed GOLD proxy card will vote on such matters in their discretion.

Newcastle Partners has omitted from this Proxy Statement certain disclosure required by applicable law that is already included in the Company's proxy statement. This disclosure includes, among other things, biographical information on Pizza Inn's directors and executive officers, information concerning executive compensation, an analysis of cumulative total returns on an investment in Shares during the past five years and procedures for submitting proposals for inclusion in Pizza Inn's proxy statement at the next annual meeting. Shareholders should refer to the Company's proxy statement in order to review this disclosure.

See Schedule III for information regarding persons who beneficially own more than 5% of the Shares and the ownership of the Shares by the management of Pizza Inn.

The information concerning Pizza Inn contained in this Proxy Statement and the Schedules attached hereto has been taken from, or is based upon, publicly available information.

NEWCASTLE PARTNERS, L.P.

January 2, 2004

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SCHEDULE I

NEWCASTLE PARTNERS IS SEEKING YOUR VOTE TO APPROVE PROPOSALS TO REPEAL THE FOLLOWING BYLAW AMENDMENTS APPROVED BY THE PIZZA INN BOARD ON DECEMBER 18, 2002:

1. Article III, Section 7 was amended by deletion in its entirety and substitution in lieu thereof the following new Section 7:

SECTION 7. SPECIAL MEETINGS. Special meetings of the shareholders for any purpose or purposes may be called by the Chief Executive Officer or by a majority of the Board of Directors.

2. The following new Section 13 was inserted immediately after the present Section 12 of Article III:

SECTION 13. BUSINESS AT SHAREHOLDERS' MEETING. At any meeting of the shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before a meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a shareholder. For business to be properly brought before a meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than fifty (50) days nor more than seventy-five (75) days prior to the meeting; provided, however, that in the event that less than sixty-five (65) days notice or prior

public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received no later than the close of business on the fifteenth (15th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such shareholder's notice to the Secretary shall set forth (a) as to each matter the shareholder proposes to bring before the meeting, a brief description of business desired to be brought before the meeting and the reasons for conducting such business at the meeting, and (b) as to the shareholder giving the notice (i) the name and record address of the shareholder, (ii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the shareholder and (iii) any material interest of the shareholder in such business. No business shall be conducted at a meeting of the shareholders unless proposed in accordance with the procedures set forth herein. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the foregoing procedure and such business shall not be transacted. To the extent this Section 13 shall be deemed by the Board of Directors or the Securities and Exchange Commission, or finally adjudged by a court of competent jurisdiction, to be inconsistent with the right of shareholders to request inclusion of a proposal in the Corporation's proxy statement pursuant to Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended, such rule shall prevail.

3. The following new Section 6 was inserted immediately after the present Section 5 of Article IV:

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SECTION 6. NOMINATIONS TO BOARD OF DIRECTORS. Nominations of persons for election to the Board of Directors of the Corporation at a meeting of the shareholders may be made by or at the direction of the Board of Directors or may be made at a meeting of shareholders by any shareholder of the Corporation who is entitled to vote for the election of Directors at the meeting in compliance with the notice procedures set forth in this Section 6 of Article IV. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than fifty (50) days nor more than seventy-five (75) days prior to the meeting; provided, however, that in the event that less than sixty-five (65) days notice or prior public disclosure of the date of the meeting is given or made no later than the close of business on the fifteenth (15th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such shareholder's notice to the Secretary shall set forth (a) as to each person whom the shareholder proposes to nominate for election or re-election as a Director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person and (iv) any other information related to the person that is required to be disclosed in solicitations for proxies for election of Directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and (b) as to the shareholder giving the notice (i) the name and record address of the shareholder and (ii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the shareholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as Director of the Corporation. No person shall be eligible for election as a Director of the Corporation at a meeting of the shareholders unless such person has been nominated in accordance with the procedures set forth herein. If the facts warrant, the Chairman of the meeting shall determine and declare to the meeting that a nomination does not satisfy the requirements set forth in the preceding sentence and the defective nomination shall be disregarded. Nothing in this Section 6 shall be construed to affect the requirements for proxy statements of the Corporation under Regulation 14A of the Exchange Act.

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SCHEDULE II

TRANSACTIONS IN THE SECURITIES OF PIZZA INN, INC.
 BY NEWCASTLE PARTNERS, L.P. AND MARK E. SCHWARZ
 DURING THE PAST TWO YEARS

Class of Security	Quantity Purchased	Price Per Unit (\$)	Date of Purchase
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Newcastle Partners, L.P.

Common Stock	64,000	1.2090	8/27/02
Common Stock	34,800	1.2915	8/28/02
Common Stock	1,000	1.5300	9/05/02
Common Stock	12,000	1.5163	9/09/02
Common Stock	5,000	1.5680	9/10/02
Common Stock	1,600	1.6244	9/13/02
Common Stock	1,000	1.6300	9/23/02
Common Stock	9,000	1.6267	9/30/02
Common Stock	4,900	1.6281	10/04/02
Common Stock	1,500	1.6350	10/08/02
Common Stock	2,800	1.6504	10/10/02
Common Stock	5,000	1.6480	10/11/02
Common Stock	5,500	1.6477	10/14/02
Common Stock	3,000	1.6700	10/16/02
Common Stock	20,000	1.7500	10/18/02
Common Stock	3,000	1.6700	10/18/02
Common Stock	500	1.6950	10/25/02
Common Stock	10,000	1.6665	11/04/02
Common Stock	40,000	1.6575	11/06/02
Common Stock	23,000	1.6583	11/07/02
Common Stock	5,000	1.6680	11/08/02
Common Stock	100	1.8150	11/15/02
Common Stock	1,200	1.6775	11/20/02
Common Stock	8,400	1.6958	11/21/02

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Class of Security	Quantity Purchased	Price Per Unit (\$)	Date of Purchase
Common Stock	2,000	1.6925	11/25/02
Common Stock	75,000	1.9184	12/09/02
Common Stock	25,700	2.1063	12/10/02
Common Stock	6,200	2.2821	12/11/02
Common Stock	1,500	2.2400	12/12/02
Common Stock	29,500	2.5406	12/31/02
Common Stock	2,905,000	2.5383	1/07/03
Common Stock	120,000	2.0000	2/14/03
Common Stock	85,000	2.2500	2/14/03
Common Stock	27,000	1.5739	3/03/03
Common Stock	7,700	1.6566	3/10/03
Common Stock	11,700	1.6090	4/02/03
Common Stock	9,500	1.5716	4/03/03

Mark E. Schwarz

Common Stock	2,500	1.9600	6/19/03
Common Stock	7,500	2.0300	6/30/03

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SCHEDULE III

SECURITY OWNERSHIP OF PRINCIPAL SHAREHOLDERS AND MANAGEMENT

The following is based solely on information provided in the Company's proxy statement filed with the Securities and Exchange Commission on December 15, 2003.

The following table sets forth certain information, as of November 15, 2003, with respect to the beneficial ownership of Common Stock by: (a) each person known to be a beneficial owner of more than five percent of the outstanding Common Stock; (b) each director, nominee director, and executive officer named in the section entitled "Summary Compensation Table"; and (c) all directors and executive officers as a group (17 persons). Except as otherwise indicated, each of the persons named in the table below is believed by the Company to possess sole voting and investment power with respect to the shares of Common Stock beneficially owned by such person. Information as to the beneficial ownership of Common Stock by directors and executive officers of the Company has been furnished by the respective directors and executive officers.

Name and Address of 5% Beneficial Owner -----	Shares Beneficially Owned -----	Percent of Class -----
C. Jeffrey Rogers (a) 5529 St. Andrews Ct Plano, Texas 75093	(a)	(a)
Newcastle Partners, L.P.(b) Newcastle Capital Management, L.P. Newcastle Capital Group, L.L.C. 300 Crescent Court, Ste. 1110 Dallas, TX 75201	3,583,780	35.610%
Ronald W. Parker (c) 3551 Plano Parkway The Colony, TX 75056	1,081,173	9.875%
Steve A. Ungerman (d)	30,566	Less than 1%
Butler E. Powell (c)	35,000	Less than 1%
Bobby L. Clairday (e)	48,900	Less than 1%
Steven J. Pully (b)	-0-	-0-
Mark E. Schwarz (b)	3,593,780	35.693%
F. Jay Taylor (c)	20,000	Less than 1%
B. Keith Clark (c) (f)	168,486	1.660%
Ward T. Olgreen (c)	167,739	1.653%
Shawn M. Preator	53,918	Less than 1%
Danny K. Meisenheimer	287	Less than 1%
All Directors and Executive Officers as a Group (g)	5,250,661	52.170%

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(a) Mr. Rogers was a Director and the Company's Chief Executive Officer until August 21, 2002. For additional information, see "Severance Agreement". On August 21, 2002, Mr. Rogers beneficially owned approximately 3,650,000

shares, or approximately 35% of the total shares then outstanding. On January 3, 2003, Mr. Rogers filed with the Securities and Exchange Commission a Form 4 Statement of Changes in Beneficial Ownership showing ownership of 205,000 shares, or approximately 2% of the total shares then outstanding. The Company cannot confirm subsequent changes, if any, in Mr. Rogers' ownership position.

- (b) Newcastle Capital Management, L.P. is the general partner of Newcastle Partners, L.P., Newcastle Capital Group, L.L.C. is the general partner of Newcastle Capital Management, L.P., and Mark E. Schwarz is the managing partner of Newcastle Partners, L.P. Accordingly, each of Newcastle Capital Management, L.P., Newcastle Capital Group, L.L.C., and Mark E. Schwarz may be deemed to beneficially own the shares of Common Stock beneficially owned by Newcastle Partners, L.P. In addition, Newcastle Partners, L.P., Newcastle Capital Management, L.P., Newcastle Capital Group, L.L.C., Mark Schwarz, Steven Pully, Ramon D. Phillips and Robert B. Page are members of a Section 13(d) reporting group and may be deemed to beneficially own shares of Common Stock owned by the other members of the group. Newcastle Partners, L.P. and Mr. Schwarz are the only members of the group to directly own shares of Common Stock.
- (c) Includes vested options and options vesting within 60 days of November 15, 2003 under the Company's stock option plans, as follows: 242,500 shares for Mr. Parker; 12,500 shares for Mr. Powell; 10,000 shares for Mr. Taylor; 106,500 shares for Mr. Clark; 76,500 shares for Mr. Olgreen; and 44,500 shares for Mr. Preator.
- (d) Includes 12,283 shares for which Mr. Ungerman shares voting and investment power with his wife.
- (e) Includes 18,200 shares for which Mr. Clairday shares voting and investment power with his wife.
- (f) Includes 4,000 shares held by K&A Clark Family Partnership, L.P.
- (g) Excludes shares owned by Mr. Rogers who was a Director and an executive officer until August 21, 2002.

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IMPORTANT

Tell your Board what you think! Your vote is important. No matter how many Shares you own, please give Newcastle Partners your proxy FOR the election of the Nominees, FOR the proposals to repeal the Bylaw Amendments and FOR the proposal to reimburse Newcastle Partners for all expenses it incurs in connection with this solicitation by taking three steps:

- o SIGNING the enclosed GOLD proxy card,
- o DATING the enclosed GOLD proxy card, and
- o MAILING the enclosed GOLD proxy card TODAY in the envelope provided (no postage is required if mailed in the United States).

If any of your Shares are held in the name of a brokerage firm, bank, bank nominee or other institution, only it can vote such Shares and only upon receipt of your specific instructions. Accordingly, please contact the person responsible for your account and instruct that person to execute the GOLD proxy card representing your Shares. Newcastle Partners urges you to confirm in writing your instructions to Newcastle Partners in care of MacKenzie Partners, Inc. at the address provided below so that Newcastle Partners will be aware of all instructions given and can attempt to ensure that such instructions are followed.

If you have any questions or require any additional information concerning this Proxy Statement, please contact MacKenzie Partners, Inc. at the address set forth below.

[MACKENZIE PARTNERS LOGO]

105 Madison Avenue
New York, New York 10016
(212) 929-5500 (Call Collect)
PROXY@MACKENZIEPARTNERS.COM

or

CALL TOLL FREE (800) 322-2885

GOLD PROXY

PIZZA INN, INC.

ANNUAL MEETING OF SHAREHOLDERS

THIS PROXY IS SOLICITED ON BEHALF OF NEWCASTLE PARTNERS, L.P.

THE BOARD OF DIRECTORS OF PIZZA INN, INC.
IS NOT SOLICITING THIS PROXY

The undersigned appoints Mark E. Schwarz and Steven J. Pully, and each of them, attorneys and agents with full power of substitution to vote all shares of common stock of Pizza Inn, Inc. (the "Company") which the undersigned would be entitled to vote if personally present at the Annual Meeting of Shareholders of the Company to be held at the Company's corporate offices, 3551 Plano Parkway, The Colony, Texas 75056 on Wednesday, January 21, 2004, at 11:00 A.M. (Dallas time), and including at any adjournments or postponements thereof and at any meeting called in lieu thereof (the "Annual Meeting").

The undersigned hereby revokes any other proxy or proxies heretofore given to vote or act with respect to the shares of common stock of the Company held by the undersigned, and hereby ratifies and confirms all action the herein named attorneys and proxies, their substitutes, or any of them may lawfully take by virtue hereof. If properly executed, this Proxy will be voted as directed on the reverse and in their discretion with respect to any other matters as may properly come before the Annual Meeting.

IF NO DIRECTION IS INDICATED WITH RESPECT TO THE PROPOSALS ON THE REVERSE, THIS PROXY WILL BE VOTED (1) FOR THE ELECTION OF THE NEWCASTLE PARTNERS, L.P. NOMINEES, OR ANY SUBSTITUTIONS THERETO, (2) FOR PROPOSALS TO ADOPT RESOLUTIONS REPEALING EACH OF THE FOLLOWING BYLAW AMENDMENTS OF THE AMENDED AND RESTATED BYLAWS OF THE COMPANY ADOPTED ON DECEMBER 18, 2002: (i) THE AMENDMENT TO ARTICLE III, SECTION 7 THAT ELIMINATES THE ABILITY OF SHAREHOLDERS TO CALL A SPECIAL MEETING OF SHAREHOLDERS; (ii) THE NEW ARTICLE III, SECTION 13 THAT REQUIRES SHAREHOLDERS TO COMPLY WITH CERTAIN PROCEDURES IN ORDER TO BRING BUSINESS BEFORE A SHAREHOLDERS MEETING; AND (iii) THE NEW ARTICLE IV, SECTION 6 THAT REQUIRES SHAREHOLDERS TO COMPLY WITH CERTAIN PROCEDURES IN ORDER TO NOMINATE DIRECTORS AND (3) FOR THE PROPOSAL TO ADOPT A RESOLUTION RECOMMENDING TO THE BOARD OF DIRECTORS OF THE COMPANY THAT THE COMPANY REIMBURSE NEWCASTLE PARTNERS, L.P. FOR ALL EXPENSES IT INCURS IN CONNECTION WITH ITS SOLICITATION OF PROXIES FOR THE ANNUAL MEETING.

This Proxy will be valid until the sooner of one year from the date indicated on the reverse side and the completion of the Annual Meeting.

CONTINUED AND TO BE SIGNED ON REVERSE SIDE

YOUR VOTE
IS IMPORTANT

GOLD PROXY

NEWCASTLE PARTNERS, L.P. RECOMMENDS A VOTE FOR PROPOSALS 1, 2 AND 3

1. ELECTION OF DIRECTORS:

	FOR ALL NOMINEES	WITHHOLD AUTHORITY TO VOTE FOR ALL NOMINEES
Nominees: (01) Robert B. Page, (02) Ramon D. Phillips, and (03) Steven J. Pully	[]	[]

[] FOR EXCEPT VOTE WITHHELD FROM FOLLOWING NOMINEES:

Nominee Exceptions

2. APPROVAL TO ADOPT RESOLUTIONS REPEALING THE FOLLOWING BYLAW AMENDMENTS OF THE AMENDED AND RESTATED BYLAWS OF THE COMPANY ADOPTED ON DECEMBER 18,

2002:

(i) AMENDMENT TO ARTICLE III, SECTION 7 THAT ELIMINATES THE ABILITY OF SHAREHOLDERS TO CALL A SPECIAL MEETING OF SHAREHOLDERS

FOR AGAINST ABSTAIN
[] [] []

(ii) NEW ARTICLE III, SECTION 13 THAT REQUIRES SHAREHOLDERS TO COMPLY WITH CERTAIN PROCEDURES IN ORDER TO BRING BUSINESS BEFORE A SHAREHOLDERS MEETING

FOR AGAINST ABSTAIN
[] [] []

(iii) NEW ARTICLE IV, SECTION 6 THAT REQUIRES SHAREHOLDERS TO COMPLY WITH CERTAIN PROCEDURES IN ORDER TO NOMINATE DIRECTORS

FOR AGAINST ABSTAIN
[] [] []

3. APPROVAL TO ADOPT RESOLUTION RECOMMENDING TO THE BOARD OF DIRECTORS OF THE COMPANY THAT THE COMPANY REIMBURSE NEWCASTLE PARTNERS, L.P. FOR ALL EXPENSES IT INCURS IN CONNECTION WITH ITS SOLICITATION OF PROXIES FOR THE ANNUAL MEETING:

FOR AGAINST ABSTAIN
[] [] []

4. IN THEIR DISCRETION WITH RESPECT TO ANY OTHER MATTERS AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING.

DATED: _____

Signature(s)

Title: _____

PLEASE SIGN EXACTLY AS NAME APPEARS ON THIS PROXY. WHEN SHARES ARE HELD JOINTLY, JOINT OWNERS SHOULD EACH SIGN. EXECUTORS, ADMINISTRATORS, TRUSTEES, ETC., SHOULD INDICATE THE CAPACITY IN WHICH SIGNING.

IMPORTANT:

PLEASE SIGN, DATE
AND MAIL THIS PROXY CARD
PROMPTLY!