

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED JUNE 25, 2000.

Transition report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 for the transition period from ____ to ____.

COMMISSION FILE NUMBER 0-12919

PIZZA INN, INC.

(Exact name of registrant as specified in its charter)

MISSOURI 47-0654575

(State or jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

5050 QUORUM DRIVE
SUITE 500

DALLAS, TEXAS 75240

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (972) 701-9955

Securities Registered Pursuant to Section 12(b) of the Act: NONE

Securities Registered Pursuant to Section 12(g) of the Act:

COMMON STOCK, PAR VALUE \$.01 EACH

(Title of Class)

At September 11, 2000, there were 10,740,753 shares of the registrant's
Common Stock outstanding, and the aggregate market value of registrant's Common
Stock held by non-affiliates was \$20,624,859, based upon the average of the bid
and ask prices.

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to
the best of registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of this Form 10-K or any
amendment to this Form 10-K.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and
reports required to be filed by Section 12, 13 or 15(d) of the Securities
Exchange Act of 1934 subsequent to the distribution of securities under a plan
confirmed by a court. Yes No

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement, to be filed
pursuant to Section 14(a) of the Securities Exchange Act of 1934 in connection
with the registrant's annual meeting of shareholders in December 1999, have been
incorporated by reference in Part III of this report.

PART I

ITEM 1 - BUSINESS

GENERAL

Pizza Inn, Inc. (the "Company"), a Missouri corporation incorporated in
1983, is the successor to a Texas company of the same name which was
incorporated in 1961. The Company is the franchisor and food and supply
distributor to a system of restaurants operating under the trade name "Pizza
Inn" .

On September 11, 2000, the Pizza Inn system consisted of 484 units,
including three Company operated units (which are used for product testing and
franchisee training, in addition to serving customers) and 481 franchised units.
The domestic units are comprised of 261 full service units, 52
delivery/carry-out units and 94 Express units. The international units are
comprised of 19 full service units, 30 delivery/carry-out units and 28 Express
units. Pizza Inn units are currently located in 20 states and 13 foreign

countries. Domestic units are located predominantly in the southern half of the United States, with Texas, North Carolina and Arkansas accounting for approximately 30%, 16% and 10% of the total, respectively. Norco Distributing Company ("Norco"), a division of the Company, distributes food products, equipment, and other supplies to units in the United States and, to the extent feasible, in other countries.

PIZZA INN RESTAURANTS

Full service restaurants ("Full-Service") offer dine-in and carry-out service and, in most cases, also offer delivery service. These restaurants serve pizza on three different crusts (The Original Thin Crust, New York Pan, and Italian Crust), with standard toppings and special combinations of toppings. They also offer pasta, salad, sandwiches, desserts and beverages, including beer and wine in some locations. They are generally located in free standing buildings in close proximity to offices, shopping centers and residential areas. The current standard Full-Service units are between 3,000 and 5,000 square feet in size and seat 130 to 185 customers. The interior decor is designed to promote a contemporary, family style atmosphere.

Restaurants that offer delivery and carry-out service only ("Delcos") are growing in popularity and number. Delcos typically are located in shopping centers or other in-line arrangements, occupy approximately 1,000 square feet, and offer limited or no seating. Delcos generally offer the same menu as Full-Service units, except for buffet. The decor of these units is designed to be bright and highly visible, featuring neon, lighted displays and awnings.

The Self-Serve Buffet restaurant ("Self-Serve") offers items from the full dine-in menu, and features delivery and carryout and a self-serve buffet and beverage station. The Self-Serve can be free-standing or located in a strip center. Slightly larger than a Delco, it ranges in size from 1,500 to 2,000 square feet and seats between 50 to 60 customers.

A fourth version, Pizza Inn Express Serve units ("Express"), are typically located in a convenience store, college campus, airport terminal or other commercial facility. They have limited or no seating and offer quick carry-out service of a limited menu of pizza and other foods and beverages. An Express unit typically occupies approximately 300 to 400 square feet and is operated by the same person who owns the commercial facility or who is licensed at one or more locations within the facility.

FRANCHISING

The Pizza Inn concept was first franchised in 1963. Since that time, industry franchising concepts and development strategies have changed, thus present franchise relationships are evidenced by a variety of contractual forms. Common to those forms are provisions which: (i) provide an initial franchise term of 20 years and a renewal term, (ii) require the franchisee to follow the Pizza Inn system of restaurant operation and management, (iii) require the franchisee to pay a franchise fee and continuing royalties, and (iv) prohibit the development of one unit within a specified distance from another.

The Company's current form of franchise agreement provides for: (i) a franchise fee of \$20,000 for a Full-Service unit, \$15,000 for a Self-Serve, \$7,500 for a Delco and \$3,500 for an Express unit, (ii) an initial franchise term of 20 years for a Full-Service or Self-Serve unit, 10 years for a Delco, plus a renewal term of 10 years in both cases, and an initial term of five years for an Express unit plus a renewal term of five years, (iii) contributions equal to 1% of gross sales to the Pizza Inn Advertising Plan or to the Company, discussed below, (iv) royalties equal to 4% of gross sales for a Full-Service, Self-Serve or Delco and 6% of gross sales for an Express unit and (v) required advertising expenditures of at least 5% of gross sales for a Full-Service, Self-Serve and a Delco and 2% for an Express unit.

The Company has adopted a franchising strategy which has three major components: continued development within existing Pizza Inn market areas, development of new domestic territories, and continued growth in the international arena. As a cornerstone of this approach, the Company offers, to certain experienced restaurant operators, area developer rights in both new and existing domestic markets. An area developer pays a negotiated fee to purchase the right to operate or develop, along with the Company, Pizza Inn restaurants within a defined territory, typically for a term of 20 years plus renewal options for 10 years. The area developer agrees to a new store development schedule and assists the Company in local franchise service and quality control. In return, half of the franchise fees and royalties earned on all units within the territory are retained by the area developer during the term of the agreement. Similarly, the Company offers master franchise rights to develop Pizza Inn restaurants in certain foreign countries, with negotiated fees, development schedules and ongoing royalties.

As with developers, a master licensee for a foreign country pays a negotiated fee to purchase the right to develop and operate Pizza Inn restaurants within a defined foreign territory, typically for a term of 20 years plus renewal options for ten years. The master licensee agrees to a new store development schedule and the Company trains the master licensee to monitor and assist franchisees in their territory with local franchise service and quality control, with support from the Company. In return, the master licensee typically retains half the franchise fees and approximately half the royalties on all units within the territory during the term of the agreement. While all Pizza Inn restaurants opened in an area of a developer's territory enter into franchise agreements with the Company, a master licensee may open restaurants owned and operated by the master licensee, or they may open sub-franchised restaurants owned and operated by third parties through agreement with the master licensee.

FOOD AND SUPPLY DISTRIBUTION

The Company's Norco division offers substantially all of the food and paper products, equipment and other supplies necessary to operate a Pizza Inn restaurant. Franchisees are required to purchase from Norco certain food products which are proprietary to the Pizza Inn system. In addition, the vast majority of franchisees also purchase other supplies from Norco.

Norco operates its central distribution facility six days per week, and it delivers to all domestic units on a weekly basis, utilizing a fleet of refrigerated tractor-trailer units operated by Company drivers and independent owner-operators. Norco also ships products and equipment to its international franchisees. The food, equipment, and other supplies distributed by Norco are generally available from several qualified sources, and the Company is not dependent upon any one supplier or limited group of suppliers. The Company contracts with established food processors for the production of its proprietary products. The Company does not anticipate any difficulty in obtaining supplies in the foreseeable future.

ADVERTISING

The Pizza Inn Advertising Plan ("PIAP") is a non-profit corporation that creates and produces print advertisements, television and radio commercials, and in-store promotional materials along with related advertising services for use by its members. Each operator of a Full-Service, Self-Serve or Delco unit, including the Company, is entitled to membership in PIAP. Nearly all of the Company's existing franchise agreements for Full-Service, Self-Serve and Delco

units require the franchisees to become members of PIAP. Members contribute 1% of their gross sales. PIAP is managed by a Board of Trustees, comprised of franchisee representatives who are elected by the members each year. The Company does not have any ownership interest in PIAP. The Company provides certain administrative, marketing and other services to PIAP and is paid by PIAP for such services. On September 11, 2000, the Company-operated stores and substantially all of its franchisees were members of PIAP. Operators of Express units do not participate in PIAP; however, they contribute up to 1% of their gross sales directly to the Company to help fund Express unit marketing materials and similar expenditures.

Groups of franchisees in many of the Pizza Inn system's market areas have formed local advertising cooperatives. These cooperatives, which may be formed voluntarily or may be required by the Company under the franchise agreements, establish contributions to be made by their members and direct the expenditure of these contributions on local media advertising using materials developed by PIAP and the Company.

The Company and its franchisees conduct independent marketing efforts in addition to their participation in PIAP and local cooperatives.

TRADEMARKS AND QUALITY CONTROL

The Company owns various trademarks, including the name "Pizza Inn", which are used in connection with the restaurants and have been registered with the United States Patent and Trademark Office. The duration of such trademarks is unlimited, subject to continued use. In addition, the Company has obtained trademark registrations in several foreign countries and has applied for registration in others. The Company believes that it holds the necessary rights for protection of the trademarks essential to its business.

The Company requires all units to satisfy certain quality standards governing the products and services offered through use of the Company's trademarks. The Company maintains a staff of field representatives, whose primary responsibilities include periodic visits to provide advice in operational and marketing activities and to evaluate and enforce compliance with the Company's quality standards.

TRAINING

The Company offers numerous training programs for the benefit of franchisees and their restaurant crew managers. The training programs, taught by experienced Company employees, focus on food preparation, service, cost control, sanitation, safety, local store marketing, personnel management, and other aspects of restaurant operation. The training programs include group classes, supervised work in Company operated units, and special field seminars. Training programs are offered free of charge to franchisees, who pay their own travel and lodging expenses. Restaurant managers train their staff through on-the-job training, utilizing video tapes and printed materials produced by the Company.

WORKING CAPITAL PRACTICES

The Company's Norco division maintains a sufficient inventory of food and other consumable supplies which it distributes to Pizza Inn units typically on a weekly basis. The Company's accounts receivable and notes receivable consist primarily of receivables from food and supply sales, equipment sales, and accrued franchise royalties.

GOVERNMENT REGULATION

The Company is subject to registration and disclosure requirements and other restrictions under federal and state franchise laws. The Company's Norco division is subject to various federal and state regulations, including those regarding transportation of goods, food labeling, safety, sanitation, distribution, and vehicle licensing.

The development and operation of Pizza Inn units are subject to federal, state and local regulations, including those pertaining to zoning, public health, and alcoholic beverages, where applicable. Many restaurant employees are paid at rates related to the minimum wage established by federal and state law. Increases in the federal minimum wage can result in higher labor costs for the Company operated units, as well as its franchisees, which may be partially offset by price increases or operational and equipment efficiencies.

EMPLOYEES

On September 11, 2000, the Company had approximately 217 employees, including 57 in the Company's corporate office, 80 at its Norco division, and 35 full-time and 45 part-time employees at the Company operated restaurants. None of the Company's employees are currently covered by collective bargaining agreements. The Company believes that its employee relations are excellent.

COMPETITION

The restaurant business is highly competitive. The Company and its franchisees compete with other national and regional pizza chains, independent

pizza restaurants, and other restaurants which serve moderately priced foods. The Company believes that Pizza Inn units compete primarily on the basis of the quality, value and price of their food, the consistency and level of service, and the location, attractiveness and cleanliness of their restaurant facilities. Because of the importance of brand awareness, the Company has increased its development emphasis on individual market penetration and local cooperative advertising by franchisees.

The Company's Norco division competes with both national and local distributors of food, equipment and other restaurant supplies. The distribution industry is very competitive. The Company believes that the principal competitive factors in the distribution industry are product quality, customer service and price. Norco is the sole authorized supplier of certain proprietary products which are required to be used by all Pizza Inn units.

In the sale of franchises, the Company competes with franchisors of other restaurant concepts and franchisors of a variety of other products and services. The Company believes that the principal competitive factors affecting the sale of franchises are product quality and value, consumer acceptance, franchisor experience and support, and the quality relationship maintained between the franchisor and its franchisees.

SEASONALITY

Historically, sales at Pizza Inn restaurants have been somewhat higher during the warmer months and somewhat lower during the colder months of the year. The Company believes that the increasing popularity of delivery service and expansion into the high impulse purchase markets of Express units should lessen the seasonal impact on future chainwide sales.

ITEM 2 - PROPERTIES

The Company leases 20,667 square feet in Dallas, Texas for its corporate office and 76,700 square feet in Grand Prairie, Texas for its Norco warehouse and office facilities. The leases expire in 2003 and 2000, respectively. The Company also leases 2,736 square feet in Addison, Texas for its training facility and test kitchen with a term expiring in 2001.

The Company's current lease for its Distribution facility expires in December 2000. The Company is currently in negotiations regarding a possible extension of its lease and is also exploring the possibility of relocating its distribution facility.

All three of the Company operated Pizza Inn restaurants (all located in Texas) are leased. The Company operated units range in size from approximately 1,500 to 3,600 square feet and incur annual minimum rent between \$12.50 and \$22.00 per square foot. Most of the leases require payment of additional rent based upon a percentage of gross sales and require the Company to pay for repairs, insurance and real estate taxes. The leases are renewable and will expire in 2004, 2005, and 2007.

ITEM 3 - LEGAL PROCEEDINGS

On September 21, 1989, the Company, Pizza Inn, Inc. (a Delaware corporation) and Memphis Pizza Inns, Inc. filed for protection under the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division. The plan of reorganization, as confirmed by the court, became effective on September 5, 1990. The court retained jurisdiction to help ensure that the plan of reorganization was carried out and to hear any disputes that arose during the five year term of the plan. In May 1996, the court issued its final order finding that the proceedings had been completed and closed the bankruptcy cases.

Certain other pending legal proceedings exist against the Company which the Company believes are not material or have arisen in the ordinary course of its business.

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

No matters were submitted to a vote of security holders during the fourth quarter of the Company's fiscal year 2000.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On September 11, 2000, there were 2,397 stockholders of record of the Company's Common Stock.

The Company's Common Stock is listed on the Small-Cap Market of the National Association of Securities Dealers Automated Quotation ("NASDAQ") system under the symbol "PZZI". The following table shows the highest and lowest actual trade executed price per share of the Common Stock during each quarterly period within the two most recent fiscal years, as reported by the National Association of Securities Dealers. Such prices reflect inter-dealer quotations, without adjustment for any retail markup, markdown or commission.

			Actual Trade	
			Executed	Price
			High	Low
			----	----
2000				
First	Quarter	Ended 9/26/99	4	2 5/16
Second	Quarter	Ended 12/26/99	4 1/4	3 1/4
Third	Quarter	Ended 3/26/00	4 1/8	2 7/8
Fourth	Quarter	Ended 6/25/00	3 3/4	3 1/8
1999				
First	Quarter	Ended 9/27/98	5 13/16	4 3/4
Second	Quarter	Ended 12/27/98	5 1/4	4 1/4
Third	Quarter	Ended 3/28/99	4 3/4	3
Fourth	Quarter	Ended 6/27/99	4 1/8	2 29/32

During fiscal 2000 the Board of Directors of the Company declared quarterly cash dividends of \$0.06 per share. For the year ended June 25, 2000 cash dividends paid were approximately \$2.8 million or \$0.24 per share. On June 26, 2000, the Company's Board of Directors declared a cash dividend of approximately \$0.6 million or \$0.06 per share. Any determination to pay cash dividends in the future will be at the discretion of the Company's Board of Directors and will be dependent upon the Company's results of operations, financial condition, capital requirements, contractual restrictions and other factors deemed relevant.

ITEM 6 - SELECTED FINANCIAL DATA

The following table contains certain selected financial data for the Company for each of the last five fiscal years through June 25, 2000, and should be read in conjunction with the financial statements and schedules in Item 8 of this report. Earnings per share data for all periods presented have been restated to reflect the computation of earnings per share in accordance with SFAS 128.

	Year Ended				
	June 25, 2000	June 27, 1999	June 28, 1998	June 29, 1997	June 30, 1996
(In thousands, except per share amounts)					
SELECTED INCOME STATEMENT DATA:					
Total revenues	\$ 66,304	\$ 66,294	\$ 68,640	\$ 69,123	\$ 69,441
Income before taxes	4,389	4,096	7,023	6,860	5,921
Net income	2,884	2,752	4,880	4,528	3,908
Basic earnings per common share . . . . .	.25	.24	.38	.35	.30
Diluted earnings per common share . . . . .	.25	.23	.36	.33	.28
Dividends declared per common share . . . . .	.24 (2)	.18 (1)	.24	-	-
SELECTED BALANCE SHEET DATA:					
Total assets	17,434	18,586	21,773	24,310	24,419
Long-term debt and capital lease obligations	10,655	6,944	5,454	7,789	7,902

(1) On June 28, 1999 the Company's Board of Directors declared a quarterly dividend of \$.06 per share on the Company's common stock, payable to shareholders of record on July 9, 1999.

(2) On June 26, 2000 the Company's Board of Directors declared a quarterly dividend of \$.06 per share on the Company's common stock, payable to shareholders of record on July 7, 2000.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

FISCAL 2000 COMPARED TO FISCAL 1999

Diluted earnings per share increased 9% to \$.25 from \$0.23 in the prior year. Net income increased 5% to \$2,884,000 from \$2,752,000 in the prior year, on revenues of \$66.3 million in each year. Pre-tax income increased 7% to \$4,389,000 from \$4,096,000. The Company considers pre-tax income to be the best measure of its performance due to the significant benefit of its net operating loss carryforwards. These carryforwards, which total \$6.6 million at June 25, 2000, reduce the income taxes paid by the Company from the 34% statutory rate to the minimum tax rate of approximately 2%.

Food and supply sales of \$58 million for the year decreased slightly as compared to the same period last year due to higher overall cheese prices in the prior year. Excluding the change in cheese prices, food and supply sales increased approximately \$2,000,000 reflecting greater chainwide sales.

Franchise revenue, which includes royalties, license fees and income from area development and foreign master license (collectively, "Territory") sales, increased 1% or \$80,000 in fiscal 2000. Royalty revenue increased \$191,000 or 4% compared to last year, mainly resulting from an increase in domestic chainwide sales. These increases were offset by \$106,000 less of area development territory sales in fiscal 2000.

Restaurant sales, which consist of revenue generated by Company-owned stores, for the year increased 3% or \$65,000 compared to the same period of the prior year. Comparable store sales growth at Company-owned stores increased 5% for the year, which offset the closing of one Delco unit in August 1998.

Other income consists of primarily interest income and non-recurring revenue items. Other income decreased 22% or \$64,000 due to higher vendor incentives in the prior year, partially offset by increased interest income in the current year.

Cost of sales decreased slightly compared to the same period last year. As a percentage of sales, cost of sales remained the same for both years at 91.5%. Lower cheese prices in fiscal 2000 were offset by higher chainwide sales, as noted above. These higher chainwide sales required additional distribution miles resulting in higher fuel costs, compounded even further by higher fuel

prices.

Franchise expenses include selling, general and administrative expenses (primarily wages and travel expenses), directly related to the sale and service of franchises and Territories. These costs decreased 27% or \$738,000 compared to last year. This was primarily due to lower marketing expenses and an increase in allocation of corporate services expenses to the distribution center resulting in a corresponding decrease in franchise expenses.

General and administrative expenses increased 7% or \$251,000 in fiscal 2000. This is a result of higher insurance costs, higher franchise and property taxes, and payroll costs that were capitalized as software development costs as required by current accounting pronouncements in the prior year. These increases were partially offset by lower legal and contract services expenses.

Interest expense increased 43% or \$226,000 in the current year as a result of higher debt levels, capital lease interest expense on new computer equipment, and higher interest rates.

During fiscal 2000, the Company opened for business a total of 42 new Pizza Inn franchise units, including 26 domestic and 16 international units. Domestically, 27 units were closed by franchisees or terminated by the Company typically because of unsatisfactory standards of operation or performance. Similarly, 34 Kmart express units and 5 international units were closed.

FISCAL 1999 COMPARED TO FISCAL 1998

Diluted earnings per share dropped 36% from \$0.36 to \$0.23. Net income decreased 44% to \$2,752,000 from \$4,880,000 in the prior year, on revenues of \$66.3 million versus \$68.6 million the previous year. Net income and earnings per share decreased because of lower revenues from area development territory sales, fewer vendor incentives, a lower volume of food product sales from slightly lower chainwide sales and higher cost of sales due to extraordinarily higher cheese prices from July 1998 through January 1999. Restaurant cost of sales, as a percentage of sales, throughout the Company's franchise community was up approximately 3 percentage points, due to extraordinarily higher cheese prices during these seven months. This increased cost also caused an adverse effect on chainwide sales as the result of decreased discretionary franchisee advertising as well as delayed new store openings and remodelings. Foreign economic factors also continued to adversely affect international sales and new store openings in foreign markets.

Food and supply sales by the Company's distribution division were down less than 1% or \$390,000 as compared to last year sales. The slight decrease in volume was offset by a significant increase in cheese prices. International sales decreased \$182,000 in fiscal 1999 due to economic troubles in international markets which resulted in fewer net store openings abroad than in the prior fiscal year.

Franchise revenue, which include royalties, license fees and income from area development and foreign master license (collectively, "Territory") sales, decreased 13% or \$849,000 in fiscal 1999. Area development income decreased \$560,000 in fiscal 1999 primarily due to economic troubles in international markets. Royalty revenue was down \$173,000 compared to last year, mainly resulting from a 1.5% decrease in chainwide sales and a slightly lower average royalty rate due to both more restaurants within area development territories and a lower ratio of full service units to Delco/Express units. License fees decreased \$116,000 in fiscal 1999.

Restaurant sales, which consist of revenue generated by Company-owned stores, for the year decreased 15% or \$397,000 compared to the same period of the prior year. This was due to the lease expiration and closing of one Delco store in August 1998. Comparable store sales growth at Company-owned stores increased 6% for the year.

Other income consists of primarily interest income and non-recurring revenue items. Other income decreased 71% or \$710,000 in fiscal 1999. Fiscal 1998 included vendor incentives, the gain on the sale of a Territory, and the sale of a state liquor license.

Cost of sales increased less than 1% or \$89,000 during fiscal 1999. As a percentage of sales, cost of sales increased to 91.5% in fiscal 1999 from 90% compared to last year. Cost of sales increased primarily due to significantly higher cheese prices, offset by a lower volume of food product sold.

Franchise expenses include selling, general and administrative expenses (primarily wages and travel expenses), directly related to the sale and service of franchises and Territories. These costs decreased less than 1% or \$4,000 compared to the prior year.

General and administrative expenses increased 16% or \$467,000 in fiscal 1999. This is the result of an increase in higher legal and tax expenses in fiscal 1999.

Interest expense increased 4% or \$22,000 in the current year as a result of slightly higher debt levels and capital lease interest expense on new computer equipment.

During fiscal 1999, a total of 73 new Pizza Inn franchise units were opened for business, 52 domestic, and 21 international. Domestically, 38 units were closed by franchisees or terminated by the Company typically because of unsatisfactory standards of operation or performance. Similarly, 26 international units were closed.

FINANCIAL CONDITION

Cash and cash equivalents decreased \$25,000 in fiscal 2000. Cash flow generated from operations and additional borrowings were used to purchase shares of the Company's own stock and pay cash dividends on its common stock. The Company increased its borrowings by \$5.4 million in fiscal 2000. The Company used the proceeds from these borrowings plus cash from operations to fund the \$6.1 million used to reacquire 1.7 million shares of its own common stock at prevailing prices on the open market. The Company also used \$2.8 million to pay cash dividends on its common stock in fiscal 2000.

At June 25, 2000 the net deferred tax asset balance was \$4.4 million. At June 25, 2000, the Company has a valuation allowance of \$22,027 for general business tax credits due to expire in 2001. The Company believes that it is more likely than not that these credits will not be realized. In fiscal 2000, the valuation allowance and corresponding asset were also decreased due to the expiration of general business credits.

Management believes that future operations will generate sufficient taxable income, along with the reversal of temporary differences, to fully realize the deferred tax asset, net of a valuation allowance of \$22,027 related to the potential expiration of certain tax credit carryforwards. Future taxable income at the same level as fiscal 2000 would be sufficient for full realization of the net tax asset. Additionally, management believes that taxable income based on recent growth trends of the Company's franchise base should be more than sufficient to enable the Company to realize its deferred tax asset without reliance on material, non-routine income.

While the Company expects to realize substantial benefit from the utilization of its net operating loss carryforwards (which currently total \$6.6 million and expire in 2005) to reduce its federal tax liability, current accounting standards dictate that this benefit can not be reflected in the Company's results of operations. In accordance with SFAS 109, the carryforwards, when utilized, are reflected as a reduction of the deferred tax asset rather than a reduction of income tax expense. This has caused the Company to reflect an amount for federal income tax expense on its statements of operations at an effective corporate rate of 34%, 32%, and 31% for fiscal years 2000, 1999 and 1998, respectively. However, the actual amount of taxes paid at the alternative minimum tax rate of approximately 2% is significantly less than the corporate rate reflected on the Company's statement of operations. Historically, the differences between pre-tax earnings for financial reporting purposes and taxable income for tax purposes have consisted of temporary differences arising from the timing of depreciation, deductions for accrued expenses and deferred revenues, as well as permanent differences as a result of the exercise of stock options deducted for income tax purposes but not for financial reporting purposes.

Under the Internal Revenue Code, the utilization of net operating losses and credit carryforwards could be limited if certain changes in ownership of the Company's Common Stock were to occur. The Company's Articles of Incorporation contain certain restrictions which are intended to reduce the likelihood that such changes in ownership would occur.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations totaled \$4,578,000 in fiscal 2000 and was used, in conjunction with additional borrowings, primarily to reacquire the Company's common stock, to pay dividends on its common stock, and to fund capital expenditures.

The Company increased its borrowing by \$5.4 million to \$11.1 million at June 25, 2000 from \$5.7 million at June 27, 1999.

During fiscal 2000 the Company purchased 1,710,698 shares of its own common stock on the open market for a total price of \$6.1 million. This brings the total number of shares in treasury to 4,309,409 as of June 25, 2000.

Capital expenditures of \$754,000 during fiscal 2000 consist primarily of modifications and upgrades to the Company's computer system, as well as upgrades and replacements of desk top computers.

The Company's future requirements for cash relate primarily to the periodic purchase of its own common stock, capital expenditures, payment of dividends on its common stock, and repayment of debt. The Company currently considers its common stock to be undervalued and plans to continue purchasing its own shares on the open market during fiscal year 2001. For the period June 26, 2000 through September 11, 2000 the Company has purchased 119,687 shares for a total amount of \$439,326. Anticipated capital expenditures include information system upgrades and miscellaneous equipment. During fiscal 2000, the Board of Directors of the Company paid cash dividends on the Company's common stock of approximately \$2.8 million or \$0.24 per share. On June 26, 2000 the Company's Board of Directors declared a quarterly cash dividend payable to shareholders of record on July 7, 2000 of approximately \$0.6 million or \$0.06 per share. Declaration of future dividends will be at the discretion of the Board of Directors.

The Company's primary sources of cash are sales from the distribution division, royalties, license fees and Territory sales. Existing area development and master license agreements contain development commitments that should result in future chainwide growth. Related growth in distribution sales and royalties are expected to provide adequate working capital to supply the needs described above. The signing of any new area development or master license agreements, which cannot be predicted with certainty, would also provide significant infusions of cash.

MARKET RISK

The Company has market risk exposure arising from changes in interest rates. The Company's earnings are affected by changes in short-term interest rates as a result of borrowings under its Credit Facilities which bear interest based on floating rates.

At June 25, 2000 the Company had approximately \$11.1 million of variable rate debt obligations outstanding with a weighted average interest rate of 7.26%. A hypothetical 10% change in the effective interest rate for these borrowings, assuming debt levels at June 25, 2000 would change interest expense by approximately \$83,000.

ECONOMIC FACTORS

The costs of operations, including labor, supplies, utilities, financing and rental costs, to the Company and its franchisees, can be significantly affected by inflation and other economic factors. Increases in any such costs would result in higher costs to the Company and its franchisees, which may be partially offset by price increases and increased efficiencies in operations. The Company's revenues are also affected by local economic trends where units are concentrated. The Company intends to pursue franchise development in new markets in the United States and other countries, which would mitigate the impact of local economic factors.

FORWARD-LOOKING STATEMENT

This report contains certain forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) relating to the Company that are based on the beliefs of the management of the Company, as well as assumptions and estimates made by and information currently available to the Company's management. When used in the report, the words "anticipate," "believe," "estimate," "expect," "intend" and other similar expressions, as they relate to the Company or the Company's management, identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions relating to the operations and results of operations of the Company as well as its customers and suppliers, including as a result of competitive factors and pricing pressures, shifts in market demand, general economic conditions and other factors including but not limited to, changes in demand for Pizza Inn products or franchises, the impact of competitors' actions, changes in prices or supplies of food ingredients, and restrictions on international trade and business. Should one or more of these risks or uncertainties materialize, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

PIZZA INN, INC.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements and Schedules:

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Consolidated Statements of Operations for the years ended June 25, 2000, June 27, 1999, and June 28, 1998.	15
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Consolidated Statements of Shareholders' Equity for the years ended June 25, 2000, June 27, 1999, and June 28, 1998.	17
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FINANCIAL STATEMENT SCHEDULES

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All other schedules are omitted because they are not applicable, not required or because the required information is included in the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
and Shareholders of Pizza Inn, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Pizza Inn, Inc. and its subsidiaries at June 25, 2000 and June 27, 1999, and the results of their operations and their cash flows for each of the three years in the period ended June 25, 2000, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and the financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

Dallas, Texas
September 18, 2000

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

	YEAR ENDED		
	JUNE 25, 2000	JUNE 27, 1999	JUNE 28, 1998
REVENUES:			
Food and supply sales	\$ 58,030	\$ 58,101	\$ 58,491
Franchise revenue	5,699	5,619	6,468
Restaurant sales	2,352	2,287	2,684
Other income	223	287	997
	-----	-----	-----
	66,304	66,294	68,640
	-----	-----	-----
COSTS AND EXPENSES:			
Cost of sales	55,255	55,265	55,176
Franchise expenses	2,003	2,741	2,745
General and administrative expenses	3,682	3,431	2,964
Provision for bad debt	225	237	230
Interest expense	750	524	502
	-----	-----	-----
	61,915	62,198	61,617
	-----	-----	-----
INCOME BEFORE INCOME TAXES	4,389	4,096	7,023
Provision for income taxes	1,505	1,344	2,143
	-----	-----	-----
NET INCOME	\$ 2,884	\$ 2,752	\$ 4,880
	=====	=====	=====
BASIC EARNINGS PER COMMON SHARE . . .	0.25	0.24	0.38
	=====	=====	=====

DILUTED EARNINGS PER COMMON SHARE	0.25	0.23	0.36
	=====	=====	=====
DIVIDENDS DECLARED PER COMMON SHARE	0.24	0.18	0.24
	=====	=====	=====
WEIGHTED AVERAGE COMMON SHARES.	11,316	11,678	12,692
	=====	=====	=====
WEIGHTED AVERAGE COMMON AND POTENTIAL DILUTIVE COMMON SHARES.	11,441	12,154	13,468
	=====	=====	=====

See accompanying Notes to Consolidated Financial Statements.

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

ASSETS	JUNE 25, 2000	JUNE 27, 1999
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents	\$ 484	\$ 509
Accounts receivable, less allowance for doubtful accounts of \$776 and \$808, respectively	4,681	4,588
Notes receivable, current portion, less allowance for doubtful accounts of \$260 and \$144, respectively.	810	814
Inventories	2,910	2,393
Deferred taxes, net	1,117	1,149
Prepaid expenses and other.	566	591
	-----	-----
Total current assets.	10,568	10,044
Property, plant and equipment, net.	1,650	1,754
Property under capital leases, net.	1,165	1,587
Deferred taxes, net	3,312	4,407
Long-term notes receivable, less allowance for doubtful accounts of \$66 and \$80, respectively. . .	262	380
Deposits and other.	734	414
	-----	-----
	\$ 17,691	\$ 18,586
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade.	\$ 2,251	\$ 2,641
Accrued expenses.	1,797	1,795
Current portion of long-term debt	1,250	-
Current portion of capital lease obligations.	534	428
	-----	-----
Total current liabilities	5,832	4,864
LONG-TERM LIABILITIES		
Long-term debt.	9,842	5,700
Long-term capital lease obligations	813	1,244
Other long-term liabilities	715	719
	-----	-----
	17,202	12,527
	-----	-----
COMMITMENTS AND CONTINGENCIES (See Note I)		
SHAREHOLDERS' EQUITY		
Common Stock, \$.01 par value; authorized 26,000,000 shares; issued 14,954,789 and 14,927,176 shares, respectively; outstanding 10,645,380 and 11,407,945 shares, respectively.	150	149
Additional paid-in capital.	7,708	7,321
Loans to officers	(2,250)	-
Retained earnings	13,163	14,375
Treasury stock at cost Shares in treasury: 4,309,409 and 3,519,231 respectively.	(18,282)	(15,786)
	-----	-----
Total shareholders' equity.	489	6,059
	-----	-----
	\$ 17,691	\$ 18,586
	=====	=====

See accompanying Notes to Consolidated Financial Statements.

PIZZA INN, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS)

	ADDITIONAL COMMON STOCK SHARES	TREASURY PAID-IN AMOUNT	LOANS TO CAPITAL	RETAINED OFFICERS	STOCK EARNINGS	AT COST	TOTAL
	-----	-----	-----	-----	-----	-----	-----
BALANCE, JUNE 29, 1997.	12,714	\$ 145	\$ 5,968	\$ -	\$ 11,887	\$ (6,779)	\$11,221
Stock options exercised	414	4	1,247	-	-	-	1,251
Tax benefits associated with stock options.	-	-	(179)	-	-	-	(179)
Dividends paid.	-	-	-	-	(3,052)	-	(3,052)
Acquisition of treasury stock	(600)	-	-	-	-	(3,204)	(3,204)
Net income.	-	-	-	-	4,880	-	4,880
	-----	-----	-----	-----	-----	-----	-----
BALANCE, JUNE 28, 1998.	12,528	\$ 149	\$ 7,036	\$ -	\$ 13,715	\$ (9,983)	\$10,917
Stock options exercised	17	-	52	-	-	-	52
Tax benefits associated with stock options.	-	-	233	-	-	-	233
Dividends paid.	-	-	-	-	(2,092)	-	(2,092)
Acquisition of treasury stock stock (see Note K)	(1,137)	-	-	-	-	(5,803)	(5,803)
Net income.	-	-	-	-	2,752	-	2,752
	-----	-----	-----	-----	-----	-----	-----
BALANCE, JUNE 27, 1999.	11,408	\$ 149	\$ 7,321	\$ -	\$ 14,375	\$(15,786)	\$ 6,059
Stock options exercised	47	1	83	-	(1)	61	144
Loans to officers for exercise of stock options	900	-	-	(2,250)	(1,296)	3,546	-
Tax benefits associated with stock options.	-	303	-	-	-	303	-
Employee incentive options.	-	-	1	-	-	-	1
Dividends paid.	-	-	-	-	(2,799)	-	(2,799)
Acquisition of treasury stock stock (see Note K)	(1,710)	-	-	-	-	(6,103)	(6,103)
Net income.	-	-	-	-	2,884	-	2,884
	-----	-----	-----	-----	-----	-----	-----
BALANCE, JUNE 25, 2000.	10,645	\$ 150	\$ 7,708	\$ (2,250)	\$ 13,163	\$(18,282)	\$ 489
	=====	=====	=====	=====	=====	=====	=====

See accompanying Notes to Consolidated Financial Statements.

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

	YEAR ENDED		
	JUNE 25, 2000	JUNE 27, 1999	JUNE 28, 1998
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.	\$ 2,884	\$ 2,752	\$ 4,880
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	1,210	871	902
Provision for bad debt.	225	237	230
Income from transfer of Pizza Inn stock (see Note K).	-	(15)	(602)
Deferred income taxes	1,127	1,149	1,787

Changes in assets and liabilities:			
Notes and accounts receivable	(196)	1,179	25
Inventories	(517)	(440)	271
Accounts payable - trade	(390)	627	532
Accrued expenses	111	(717)	(782)
Deferred franchise revenue	(109)	5	(388)
Prepaid expenses and other	233	193	(587)
	-----	-----	-----
CASH PROVIDED BY OPERATING ACTIVITIES	4,578	5,841	6,268
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(754)	(640)	(362)
Acquisition of area development territory	-	-	(986)
Proceeds from sale of re-acquired area development territory	-	-	986
Proceeds from sales of assets	-	-	65
	-----	-----	-----
CASH USED FOR INVESTING ACTIVITIES	(754)	(640)	(297)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of long-term bank debt and capital lease obligations	(5,391)	(199)	(2,325)
Borrowings of long-term debt	10,300	1,000	-
Dividends paid	(2,799)	(2,092)	(2,292)
Proceeds from exercise of stock options	144	52	1,251
Purchases of treasury stock	(6,103)	(5,788)	(2,602)
	-----	-----	-----
CASH USED FOR FINANCING ACTIVITIES	(3,849)	(7,027)	(5,968)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(25)	(1,826)	3
Cash and cash equivalents, beginning of period	509	2,335	2,332
	-----	-----	-----
Cash and cash equivalents, end of period	\$ 484	\$ 509	\$ 2,335
	-----	-----	-----

See accompanying Notes to Consolidated Financial Statements.

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION
(IN THOUSANDS)

	YEAR ENDED		
	JUNE 25, 2000	JUNE 27, 1999	JUNE 28, 1998
CASH PAYMENTS FOR:			
Interest	\$ 582	\$ 551	\$ 526
Income taxes	75	20	160
NONCASH FINANCING AND INVESTING ACTIVITIES:			
Capital lease obligations incurred	\$ 158	\$ 992	\$ -
Stock issued to officers in exchange for loans	2,507	-	-

PIZZA INN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF BUSINESS:

Pizza Inn, Inc. (the "Company"), a Missouri corporation incorporated in 1983, is the successor to a Texas company of the same name which was incorporated in 1961. The Company is the franchisor and food and supply distributor to a system

of restaurants operating under the trade name "Pizza Inn" (R) .

On June 25, 2000 the Pizza Inn system consisted of 492 locations, including three Company operated units and 489 franchised units. On June 25, 2000 the Company was franchised in 22 states and 14 foreign countries. Domestic units are located predominantly in the southern half of the United States, with Texas, North Carolina and Arkansas accounting for approximately 30%, 16%, and 10%, respectively, of the total. Norco Distributing Company ("Norco"), a division of the Company, distributes food products, equipment, and other supplies to units in the United States and, to the extent feasible, in other countries.

PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All appropriate intercompany balances and transactions have been eliminated. Certain prior year amounts have been reclassified to conform with current year presentation.

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.

INVENTORIES:

Inventories, which consist primarily of food, paper products, supplies and equipment located at the Company's distribution center, are stated at the lower of FIFO (first-in, first-out) cost or market. Provision is made for obsolete inventories.

PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment, including property under capital leases, are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the useful lives of the assets or, in the case of leasehold improvements, over the term of the lease, if shorter. The useful lives of the assets range from three to eight years. It is the Company's policy to periodically review the net realizable value when indicators exist of its long-lived assets through an assessment of the estimated future cash flows related to such assets. In the event that assets are found to be carried at amounts which are in excess of estimated gross future cash flows, then the assets will be adjusted for impairment to a level commensurate with a discounted cash flow analysis of the underlying assets. The Company believes no impairment of long-lived assets exists at June 25, 2000.

ACCOUNTS RECEIVABLE:

Accounts receivable consist primarily of receivables from food and supply sales and franchise royalties. The Company records a provision for doubtful receivables to allow for any amounts which may be unrecoverable. For the years ended June 25, 2000, June 27, 1999, and June 28, 1998 provisions of \$225,000, \$237,000 and \$230,000 were recorded, respectively.

NOTES RECEIVABLE:

Notes receivable primarily consist of notes from franchisees for the purchase of area development and master license territories and the refinancing of existing trade receivables. These notes generally have terms ranging from one to five years, with interest rates of 8% to 12%. The Company records a provision for doubtful receivables to allow for any amounts which may be unrecoverable.

INCOME TAXES:

Income taxes are accounted for using the asset and liability method pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). Deferred taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement and carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the enactment date. In addition, the Company recognizes future tax benefits to the extent that realization of such benefits are more likely than not.

SHAREHOLDERS EQUITY:

On June 26, 2000 the Company's Board of Directors declared a quarterly dividend of \$.06 per share on the Company's common stock, payable to shareholders of record on July 7, 2000.

DISTRIBUTION DIVISION OPERATIONS:

The Company's Norco division sells food, supplies and equipment to franchisees on trade accounts under terms common in the industry. Revenue from such sales is recognized upon shipment. Norco sales are reflected under the caption "food and supply sales."

FRANCHISE REVENUE:

Franchise revenue consists of income from license fees, royalties, and area development and foreign master license (collectively, "Territory") sales. License fees are recognized as income when there has been substantial performance of the agreement by both the franchisee and the Company, generally at the time the unit is opened. Royalties are recognized as income when earned. For the years ended June 25, 2000, June 27, 1999 and June 28, 1998, 96%, 93% and 84%, respectively, of franchise revenue was comprised of recurring royalties.

Territory sales are the fees paid by selected experienced restaurant operators to the Company for the right to develop Pizza Inn restaurants in specific geographical territories. When the Company has no continuing substantive obligations of performance to the area developer or master licensee regarding the fee, the Company recognizes the fee to the extent of cash received. If continuing obligations exist, fees are recognized ratably during the performance of those obligations. Territory fees recognized as income for the years ended June 25, 2000, June 27, 1999 and June 28, 1998 were \$0, \$106,000 and \$666,000 respectively.

DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amounts of short-term investments, accounts and notes receivable, and debt approximate fair value.

USE OF MANAGEMENT ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and related revenues and expenses and disclosure of gain and loss contingencies at the date of the financial statements. Actual results could differ from those estimates.

FISCAL YEAR:

The Company's fiscal year ends on the last Sunday in June. Fiscal years ended June 25, 2000, June 27, 1999 and June 28, 1998 all contained 52 weeks.

NEW PRONOUNCEMENTS:

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") effective for fiscal years beginning after June 15, 1999, which was extended to June 15, 2000. SFAS 133 establishes accounting and reporting standards for derivative instruments embedded in other contracts and for hedging activities.

During June 2000, the FASB issued Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" ("SFAS 138"), an amendment of SFAS 133. SFAS 138 is to be adopted concurrently with SFAS 133. Management is currently evaluating the effects of the adoption of these statements.

NOTE B - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment and property under capital leases consist of the following (in thousands):

	JUNE 25, 2000	JUNE 27, 1999
	-----	-----
Property, plant and equipment:		
Equipment, furniture and fixtures	\$ 4,522	\$ 4,259
Leasehold improvements	1,482	1,336
	-----	-----
	6,004	5,595
Less: accumulated depreciation .	(4,354)	(3,841)
	-----	-----
	1,650	1,754
	=====	=====
Property under capital leases:		
Real Estate	\$ 118	\$ 118
Equipment	2,421	2,393
	-----	-----
	2,539	2,511
Less: accumulated amortization .	(1,374)	(924)
	-----	-----
	1,165	1,587
	=====	=====

Depreciation and amortization expense was \$1,210,000, \$871,000, and \$902,000 for the years ended June 25, 2000, June 27, 1999, and June 28, 1998, respectively.

NOTE C - ACCRUED EXPENSES:

Accrued expenses consist of the following (in thousands):

	JUNE 25, 2000	JUNE 27, 1999
Compensation	\$ 1,018	\$ 944
Legal and other professional fees	100	116
Deferred franchise revenue	71	242
Other	608	493
	-----	-----
	1,797	1,795
	=====	=====

NOTE D - LONG-TERM DEBT:

In August 1997, the Company signed an agreement (the "Loan Agreement") with its current lender, Wells Fargo, to refinance its debt under a new revolving credit facility. The revolving credit note is collateralized by essentially all of the Company's assets.

In March 2000, the Company amended the agreement with its current lender to extend the term of its existing \$9.5 million revolving credit line through March 2002, to modify certain financial covenants, and to enter into a \$5,000,000 term note (described below). Amounts outstanding under the revolving credit line were \$6.3 million and \$5.7 million at fiscal year end 2000 and 1999, respectively.

Interest on the revolving credit line is payable monthly. Interest is provided for at a rate equal to prime plus an interest rate margin from -1.0% to 0.0% or, at the Company's option, at the Eurodollar rate plus 1.25% to 2.25%. The interest rate margin is based on the Company's performance under certain financial ratio tests. As of June 25, 2000, the Company was in compliance with all of its debt covenants. A 0.375% to 0.5% annual commitment fee is payable on any unused portion of the revolving credit line. For the year ending June 25, 2000 and June 27, 1999, the Company's interest rates were 7.625% and 6.1675%, respectively (using a Eurodollar rate basis).

The \$5,000,000 term note had an outstanding balance of \$4.8 million at June 25, 2000 and required monthly principal payments of \$104,000 with the balance maturing on March 31, 2004. Interest on the term loan is also payable monthly. Interest is provided for at a rate equal to prime less an interest rate margin of .75%, or, at the Company's option, of the Eurodollar rate plus 1.5%. In accordance with the agreement, the Company is obligated in fiscal year 2001 to cause at least 50% of the outstanding principal amount to be subject to a fixed interest rate. At June 25, 2000, the Company's interest rate was 7.625 % (using a Eurodollar Rate Basis).

The Loan Agreement contains covenants which, among other things, require the Company to satisfy certain financial ratios and restrict additional debt.

PIBCO, Ltd., a wholly owned insurance subsidiary of the Company, in the normal course of operations, arranged for the issuance of a letter of credit for \$230,000 to reinsurers to secure loss reserves. At June 25, 2000 and June 27, 1999 this letter of credit was secured under the Company's revolving line of credit. Loss reserves for approximately the same amount have been recorded by PIBCO, Ltd. and are reflected as current liabilities in the Company's financial statements.

NOTE E - INCOME TAXES:

Income tax expense consists of the following (in thousands):

	JUNE 25, 2000	JUNE 27, 1999	JUNE 28, 1998
Federal:			
Current	\$ 378	\$ 195	\$ 356
Deferred	1,127	1,149	1,787
Provision for income taxes	<u>1,505</u>	<u>1,344</u>	<u>2,143</u>

The effective federal income tax rate did not vary from the statutory rate of 34% for the year ended June 25, 2000. However, the effective federal income tax rate varied from the statutory rate for the years ended June 25, 2000, June 27, 1999, and June 28, 1998 as follows:

	JUNE 25, 2000	JUNE 27, 1999	JUNE 28, 1998
(in thousands)			
Federal income taxes based on 34% of book income	\$ 1,492	\$ 1,393	\$ 2,388
Permanent adjustments	(46)	(290)	(102)
Change in valuation allowance . .	(182)	(535)	(638)
Expired credits	241	776	375
Other	-	-	120
	<u>1,505</u>	<u>1,344</u>	<u>2,143</u>

The tax effects of temporary differences which give rise to the net deferred tax assets (liabilities) consisted of the following (in thousands):

	JUNE 25, 2000	JUNE 27, 1999
Reserve for bad debt	\$ 415	\$ 391
Depreciable assets	631	610
Deferred fees	55	72
Other reserves	94	88
NOL carryforwards	2,246	3,510
Credit carryforwards	1,010	1,089
Gross deferred tax asset	<u>\$ 4,451</u>	<u>\$ 5,760</u>
Valuation allowance	(22)	(204)
Net deferred tax asset	<u>4,429</u>	<u>5,556</u>

As of June 25, 2000, the Company had \$6.6 million of net operating loss carryforwards that expire in 2005. The Company also had \$22,000 of general business credit carryforwards expiring in 2001, \$263,000 of foreign tax credit

carryforwards expiring between 2003 and 2005, and \$725,000 of minimum tax credits that can be carried forward indefinitely. The valuation allowance was established upon adoption of SFAS 109, since it is more likely than not that a portion of certain of the general business credit carryforwards will expire before they can be utilized. In fiscal 2000, \$241,000 of general business credits expired before they could be utilized.

Under the Internal Revenue Code, the utilization of net operating loss and credit carryforwards could be limited if certain changes in ownership of the Company's Common Stock were to occur. The Company's Articles of Incorporation contain certain restrictions which are intended to reduce the likelihood that such changes in ownership would occur.

NOTE F - LEASES:

All of the real property occupied by the Company operated restaurants is leased for initial terms ranging from five to twenty-five years with renewal options ranging from three to fifteen years. Most of the lease agreements contain either provisions requiring additional rent if sales exceed specified amounts, or escalation clauses based on changes in the Consumer Price Index.

The Company leases 20,677 square feet in Dallas, Texas for its corporate office and 76,700 square feet in Grand Prairie, Texas for its Norco warehouse and office facilities. The leases expire in 2003 and 2000, respectively. The Company also leases 2,736 square feet in Addison, Texas for its training facility with a term expiring in 2001.

The Company's distribution division currently leases a significant portion of its transportation equipment under leases with terms from five to seven years under operating and capital leases. Some of the leases include fair market value purchase options at the end of the term.

Future minimum rental payments under non-cancelable leases with initial or remaining terms of one year or more at June 25, 2000 are as follows (in thousands):

	CAPITAL LEASES	OPERATING LEASES
	-----	-----
2001.	\$ 625	\$ 1,259
2002.	632	1,145
2003.	107	745
2004.	108	345
2005.	12	166
Thereafter.	26	161
	-----	-----
	\$ 1,510.	\$ 3,821
		=====
Less amount representing interest	(163)	

Present value of total obligations under capital leases.	1,347	
Less current portion.	(534)	

Long-term capital lease obligations . . .	\$ 813	
	=====	

Rental expense consisted of the following (in thousands):

	YEAR ENDED JUNE 25, 2000	YEAR ENDED JUNE 27, 1999	YEAR ENDED JUNE 28, 1998
	-----	-----	-----
Minimum rentals.	\$ 1,438	\$ 1,339	\$ 1,193
Contingent rentals	15	13	15
Sublease rentals	(96)	(99)	(87)
	-----	-----	-----
	\$ 1,357	1,253	1,121
	=====	=====	=====

NOTE G - EMPLOYEE BENEFITS:

The Company has a tax advantaged savings plan which is designed to meet the requirements of Section 401(k) of the Internal Revenue Code (the "Code"). The current plan is a modified continuation of a similar savings plan established by the Company in 1985. Employees who have completed six months of service and are at least 21 years of age are eligible to participate in the plan. The plan provides that participating employees may elect to have between 1% and 15% of their compensation deferred and contributed to the plan. From January 1, 1993 through January 1, 1998, the Company contributed on behalf of each participating employee an amount equal to 50% of the first 3% and 25% of the next 3% of the employee's contribution. From January 1, 1998 through January 1, 1999, the Company contributed on behalf of each participating employee an amount equal to 100% of up to 6% of the employee's contribution. From January 1, 1999 through July 31, 2000, the Company contributed on behalf of each participating employee an amount equal to 100% of the first 3% and 50% of the next 3% of the employee's contribution. Effective August 1, 2000, the Company contributes on behalf of each participating employee an amount equal to 50% of up to 6% of the employee's contribution. Separate accounts are maintained with respect to contributions made on behalf of each participating employee. The plan is subject to the provisions of the Employee Retirement Income Security Act and is a profit sharing plan as defined in Section 401 of the Code. The Company is the administrator of the plan. Participants may direct elective deferrals and earnings thereon and employer matching contributions and earnings thereon prior to January 1, 1998. Effective January 1, 1998, employer matching contributions and earnings thereon are invested in Common Stock of the Company.

For the years ended June 25, 2000, June 27, 1999, and June 28, 1998, total matching contributions to the tax advantaged savings plan by the Company on behalf of participating employees were \$185,591, \$205,922, and \$116,862, respectively.

NOTE H - STOCK OPTIONS:

On September 1, 1992, the Company adopted the 1992 Stock Award Plan (the "1992 Plan"). All officers, employees and elected outside directors are eligible to participate. The Company's 1992 Plan is a combined nonqualified stock option and stock appreciation rights arrangement. A total of two million shares of Pizza Inn, Inc. Common Stock were originally authorized to be awarded under the 1992 Plan. A total of 973,073 options were actually granted under the 1992 Plan through December 1993. In January 1994, the 1993 Stock Award Plan ("the 1993 Plan") was approved by the Company's shareholders with a plan effective date of October 13, 1993. Officers and employees of the Company are eligible to receive stock options under the 1993 Plan. Options are granted at market value of the stock on the date of grant, are subject to various vesting periods ranging from six months to three years with exercise periods up to eight years, and may be designated as incentive options (permitting the participant to defer resulting federal income taxes). Originally, a total of two million shares of Common Stock were authorized to be issued under the 1993 Plan. In December 1996, 1997 and 1998, the Company's shareholders approved amendments to the 1993 plan increasing by 500,000 shares, in each year, the aggregate number of shares of common stock issuable under the plan.

The 1993 Outside Directors Stock Award Plan (the "1993 Directors Plan") was also adopted by the Company effective as of October 13, 1993. Elected Directors who are not employed by the Company are eligible to receive stock options under the 1993 Directors Plan. Options for common stock equal to twice the number of shares of common stock acquired during the previous fiscal year are granted, up to 20,000 shares per year, to each outside director. Options are granted at market value of the stock on the first day of the fiscal year, which is also the date of grant, and various vesting periods ranging from one to four years with exercise periods up to nine years. A total of 200,000 shares of Company Common Stock are authorized to be issued pursuant to the 1993 Directors Plan.

A summary of stock option transactions under all of the Company's stock option plans and information about fixed-price stock options follows:

SUMMARY OF STOCK OPTION TRANSACTIONS

June 25, 2000 -----	June 27, 1999 -----	June 28, 1998 -----
Weighted- Average Exercise	Weighted- Average Exercise	Weighted Average Exercise

	Shares	Price	Shares	Price	Shares	Price
Outstanding at beginning of year	3,247,972	\$ 3.50	2,675,366	\$ 3.27	3,143,639	\$ 3.08
Granted	94,000	\$ 3.57	655,290	\$ 4.79	110,000	\$ 4.85
Exercised	(947,913)	\$ 2.53	(17,084)	\$ 2.97	(413,773)	\$ 2.14
Canceled	(270,753)	\$ 4.38	(65,600)	\$ 4.68	(164,500)	\$ 3.58
Outstanding at end of year . . .	2,123,306	\$ 3.91	3,247,972	\$ 3.50	2,675,366	\$ 3.27
Exercisable at end of year . . .	1,872,616	\$ 3.88	2,745,448	\$ 3.42	2,274,916	\$ 3.15
Weighted-average fair value of options granted during the year.		\$ 0.75		\$ 1.30		\$ 1.25

FIXED PRICE STOCK OPTIONS

The following table provides information on options outstanding and options exercisable at June 25, 2000:

Range of Exercise Prices	Shares Outstanding at June 25, 2000	Options Outstanding		Options Exercisable	
		Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Shares Exercisable at June 25, 2000	Weighted-Average Exercise Price
2.25 - 3.25 . . .	302,533	1.05	\$ 2.63	264,833	\$ 2.56
3.33 - 4.25 . . .	1,279,783	3.00	\$ 3.77	1,177,783	\$ 3.78
4.38 - 5.25 . . .	540,990	4.08	\$ 4.96	430,000	\$ 4.94
2.25 - 5.25 . . .	2,123,306	2.99	\$ 3.91	1,872,616	\$ 3.88

Pro forma information regarding net income and earnings per share is required to be determined as if the Company had accounted for its stock options granted subsequent to June 25, 1995 under the fair value method of SFAS 123, "Accounting for Stock-Based Compensation". The fair value of options granted in fiscal 1998, 1999 and 2000 was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rates ranging from 5.6% to 6.6%, expected volatility of 40.3% to 50.8%, expected dividend yield of 4.4% to 8.9% and expected lives of 2 to 6 years.

For purposes of pro forma disclosures, the estimated fair value of the stock options is amortized over the option vesting periods. The Company's pro forma information follows (in thousands, except for earnings per share information):

	June 25, 2000		June 27, 1999		June 28, 1998	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income	\$ 2,884	\$ 2,872	\$ 2,752	\$ 2,291	\$ 4,880	\$ 4,460
Basic earnings per share .	\$ 0.25	\$ 0.25	\$ 0.24	\$ 0.20	\$ 0.38	\$ 0.35
Diluted earnings per share	\$ 0.25	\$ 0.25	\$ 0.23	\$ 0.19	\$ 0.36	\$ 0.33

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts as the pro forma amounts above do not include the impact of additional awards anticipated in future years.

NOTE I - COMMITMENTS AND CONTINGENCIES:

The Company is subject to various claims and contingencies related to employment agreements, lawsuits, taxes, food product purchase contracts and other matters arising out of the normal course of business. Management believes that any liabilities arising from these claims and contingencies are either covered by insurance or would not have a material adverse effect on the Company's annual results of operations or financial condition.

On April 30, 1998, Mid-South Pizza Development, Inc., an area developer of the Company ("Mid-South") entered into a promissory note whereby, among other things, Mid-South borrowed \$1,330,000 from a third party lender (the "Loan"). The proceeds of the Loan, less transaction costs, were used by Mid-South to purchase area developer rights from the Company for certain counties in Kentucky and Tennessee. As part of the terms and conditions of the Loan, the Company was required to guaranty the obligations of Mid-South under the Loan. In the event such guaranty ever required payment, the Company has personal guarantees from certain Mid-South principals and a security interest in certain personal property.

NOTE J - RELATED PARTIES:

One of the individuals nominated by the Company and elected to serve on its Board of Directors is a franchisee. This franchisee currently operates a total of 14 restaurants located in Arkansas. Purchases by this franchisee comprised 5% of the Company's total food and supply sales in fiscal 2000. Royalties and license fees and area development sales from this franchisee comprised 3% of the Company's total franchise revenues in fiscal 2000. As franchised units, his restaurants pay royalties to the Company and purchase a majority of their food and supplies from the Company's distribution division. As of June 25, 2000, his accounts and note payable to the Company were \$777,575.

The Company believes the above transactions were at the same prices and on the same terms available to non-related third parties.

In October 1999, the Company loaned \$2,506,754 to certain officers of the Company in the form of promissory notes due in June 2004 to acquire 900,000 shares of the Company's common stock through the exercise of vested stock options previously granted to them in 1995 by the Company. The notes bear interest at the same floating interest rate the Company pays on its revolving credit line with Wells Fargo and are collateralized by certain real property and existing Company stock owned by the officers. The notes are reflected as a reduction to stockholders' equity.

In July 2000, the Company loaned \$302,581 to an officer of the Company in the form of a promissory note due in June 2004 to acquire 200,000 shares of the Company's common stock through the exercise of vested stock options previously granted in 1995 by the Company. The note bears interest at the same floating interest rate the Company pays on its revolving credit line with Wells Fargo and is collateralized by certain real property and existing Company stock owned by the officer. The note will be reflected as a reduction to stockholders' equity.

NOTE K - TREASURY STOCK:

For the period of September 1995 through June 2000, the Company purchased 4,440,939 shares of its own Common Stock from time to time on the open market at a total cost of \$19.5 million. In May 1998, the Company acquired 102,478 shares in connection with entering into a new contract with a vendor. This non-cash treasury share acquisition was recorded in other income at current market value in the amount of \$602,000. In April 1999, the Company received a gift of 4,945 shares from a vendor which was recorded at current market value in the amount of \$15,000. The purchases of common shares described above were funded from working capital, and reduced the Company's outstanding shares by approximately 29%.

In June 1995, the Company adopted the par value method of accounting for treasury share purchases with the intent to retire the shares purchased. In December 1999, the Company changed its method of accounting for treasury shares purchased to the cost method because it is now the Company's intent to reissue a portion of the shares held in treasury. Accordingly, retained earnings and additional paid in capital as of June 27, 1999, June 28, 1998, and June 29, 1997 were adjusted by \$5,361,115 and \$431,166, \$2,975,817 and \$211,940, and \$1,787,320 and \$131,516, respectively.

NOTE L - EARNINGS PER SHARE:

Effective December 28, 1997, the Company adopted SFAS 128, "Earnings Per Share", which establishes standards for computing and presenting earnings per share (EPS). Basic EPS excludes the effect of potentially dilutive securities while diluted EPS reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised, converted or resulted in the issuance of common stock that then shared in the earnings of the entity.

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

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
	-----	-----	-----
YEAR ENDED JUNE 25, 2000			
BASIC EPS			
Income Available to Common Shareholders . . .	\$ 2,884	11,316	\$ 0.25
Effect of Dilutive Securities - Stock Options		125	

DILUTED EPS			
Income Available to Common Shareholders			
& Assumed Conversions	\$ 2,884	11,441	\$ 0.25
	=====	=====	=====
YEAR ENDED JUNE 27, 1999			
BASIC EPS			
Income Available to Common Shareholders . . .	\$ 2,752	11,678	\$ 0.24
Effect of Dilutive Securities - Stock Options		476	

DILUTED EPS			
Income Available to Common Shareholders			
& Assumed Conversions	\$ 2,752	12,154	\$ 0.23
	=====	=====	=====
YEAR ENDED JUNE 28, 1998			
BASIC EPS			
Income Available to Common Shareholders . . .	\$ 4,880	12,692	\$ 0.38
Effect of Dilutive Securities - Stock Options		776	

DILUTED EPS			
Income Available to Common Shareholders			
& Assumed Conversions	\$ 4,880	13,468	\$ 0.36
	=====	=====	=====

Options to purchase 1,194,773 shares of common stock at exercise prices ranging from \$3.56 to \$5.50 per share were outstanding at June 25, 2000 but were not included in the computation of diluted EPS because the option's exercise price was greater than the average market price of the common shares. Options to purchase 2,002,106 shares of common stock during fiscal year 1999 were excluded from the computation of EPS in 1999 because their inclusion would result in an anti-dilutive effect on EPS. No options were excluded from the calculation of diluted EPS during fiscal year 1998.

NOTE M - SEGMENT REPORTING:

Effective June 27, 1999, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information".

The Company has two reportable operating segments as determined by management using the "management" approach as defined in SFAS No. 131: (1) Food and Equipment Distribution, and (2) Franchise and Other. These segments are a result of differences in the nature of the products and services sold. Corporate administration costs, which include, but are not limited to, general accounting, human resources, legal and credit and collections, are partially allocated to the two operating segments. Other revenue consists of nonrecurring items.

The Food and Equipment Distribution segment sells and distributes proprietary and non-proprietary items to franchisees and to three company-owned and operated stores. Inter-segment revenues consist of sales to the company owned stores. Assets for this segment include tractor/trailers, equipment, furniture and fixtures.

The Franchise and Other segment includes income from royalties, license fees and area development and foreign master license sales. The Franchise segment includes the three company-owned stores, which are used as prototype and training facilities. Assets for this segment include equipment, furniture and fixtures for the company stores.

Corporate administration and other assets include primarily the deferred tax asset, cash and short term investments, as well as furniture and fixtures located at the corporate office.

Summarized in the following tables are net sales and operating revenues, depreciation and amortization expense, interest expense, interest income, operating profit (loss), capital expenditures, and assets for the Company's reportable segments for the years ended June 25, 2000, June 27, 1999, and June 28, 1998:

	JUNE 25, 2000	JUNE 27, 1999	JUNE 28, 1998
	-----	-----	-----
(In thousands)			
NET SALES AND OPERATING REVENUES:			
Food and Equipment Distribution . . .	\$ 58,030	\$ 58,101	\$ 58,491
Franchise and Other	8,051	7,906	9,152
Intersegment revenues	828	847	1,015
	-----	-----	-----
Combined	66,909	66,854	68,658
Other revenues	223	287	997
Less intersegment revenues	(828)	(847)	(1,015)
	-----	-----	-----
Consolidated revenues	\$ 66,304	\$ 66,294	\$ 68,640
	=====	=====	=====
DEPRECIATION AND AMORTIZATION:			
Food and Equipment Distribution . . .	\$ 874	\$ 579	\$ 491
Franchise and Other	120	129	272
	-----	-----	-----
Combined	994	708	763
Corporate administration and other.	216	163	139
	-----	-----	-----
Depreciation and amortization . .	\$ 1,210	\$ 871	\$ 902
	=====	=====	=====
INTEREST EXPENSE:			
Food and Equipment Distribution . . .	\$ 495	\$ 344	\$ 325
Franchise and Other	6	8	8
	-----	-----	-----
Combined	501	352	333
Corporate administration and other.	249	172	169
	-----	-----	-----
Interest Expense	\$ 750	\$ 524	\$ 502
	=====	=====	=====
INTEREST INCOME:			
Food and Equipment Distribution . . .	\$ 66	\$ 72	\$ 90
Franchise and Other	-	-	-
	-----	-----	-----
Combined	66	72	90
Corporate administration and other.	126	11	38
	-----	-----	-----
Interest Income	\$ 192	\$ 83	\$ 128
	=====	=====	=====
OPERATING PROFIT:			
Food and Equipment Distribution (1)	\$ 2,709	\$ 3,071	\$ 4,597
Franchise and Other (1)	3,790	2,813	3,442
Intersegment profit	225	216	266
	-----	-----	-----
Combined	6,724	6,100	8,305
Other revenue	223	287	997
Less intersegment profit	(225)	(216)	(266)
Corporate administration and other.	(2,333)	(2,075)	(2,013)
	-----	-----	-----
Income before taxes	\$ 4,389	\$ 4,096	\$ 7,023
	=====	=====	=====

(1) Does not include full allocation of corporate administration

	JUNE 25, 2000	JUNE 27, 1999	JUNE 28, 1998
	-----	-----	-----
(In thousands)			
CAPITAL EXPENDITURES:			

Food and Equipment Distribution. . .	\$	413	\$	391	\$	116
Franchise and Other.		138		66		36
		-----		-----		-----
Combined		551		457		152
Corporate administration and other .		203		183		210
		-----		-----		-----
Consolidated capital expenditures.	\$	754	\$	640	\$	362
		=====		=====		=====
ASSETS:						
Food and Equipment Distribution. . .	\$	10,022	\$	10,402	\$	9,963
Franchise and Other.		1,361		999		1,700
		-----		-----		-----
Combined		11,383		11,401		11,663
Corporate administration and other .		6,051		7,185		10,110
		-----		-----		-----
Consolidated assets.	\$	17,434	\$	18,586	\$	21,773
		=====		=====		=====
GEOGRAPHIC INFORMATION (REVENUES):						
United States.	\$	65,047	\$	64,990	\$	66,692
Foreign countries.		1,257		1,304		1,948
		-----		-----		-----
Consolidated total	\$	66,304	\$	66,294	\$	68,640
		=====		=====		=====

NOTE N - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED):

The following summarizes the unaudited quarterly results of operations for the fiscal years ended June 25, 2000 and June 27, 1999 (in thousands, except per share amounts):

	Quarter Ended			
	September 26,	December 26,	March 26,	June 25,
	1999	1999	2000	2000
	-----	-----	-----	-----
FISCAL YEAR 2000				
Revenues	\$ 17,394	\$ 16,331	\$ 15,967	\$ 16,612
Gross Profit	1,276	1,308	1,207	1,348
Net Income	747	745	673	719
Basic earnings per share on net income .	0.07	0.06	0.06	0.07
Diluted earnings per share on net income	0.07	0.06	0.06	0.07

	Quarter Ended			
	September 27,	December 27,	March 28,	June 27,
	1998	1998	1999	1999
	-----	-----	-----	-----
FISCAL YEAR 1999				
Revenues	\$ 16,584	\$ 17,363	\$ 16,017	\$ 16,330
Gross Profit	793	1,162	1,313	1,352
Net Income	470	705	800	777
Basic earnings per share on net income .	0.04	0.06	0.07	0.07
Diluted earnings per share on net income	0.04	0.06	0.07	0.07

(In thousands)

		ADDITIONS				
	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COST AND EXPENSE	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS (1)	BALANCE AT END OF PERIOD	
YEAR ENDED JUNE 25, 2000						
Allowance for doubtful accounts and notes receivable	\$ 1,032	\$ 225	\$ -	\$ (155)	\$ 1,102	
YEAR ENDED JUNE 27, 1999						
Allowance for doubtful accounts and notes receivable	\$ 1,007	\$ 237	\$ -	\$ (212)	\$ 1,032	
YEAR ENDED JUNE 28, 1998						
Allowance for doubtful accounts and notes receivable	\$ 1,121	\$ 230	\$ -	\$ (344)	\$ 1,007	

(1) Write-off of receivables, net of recoveries.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There are no events to report under this item.

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is included in the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A in connection with the Company's annual meeting of shareholders to be held in December 2000 (the "Proxy Statement"), and is incorporated herein by reference.

ITEM 11 - EXECUTIVE COMPENSATION

The information required by this Item is included in the Proxy Statement and is incorporated herein by reference.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is included in the Proxy Statement and is incorporated herein by reference.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is included in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON 8-K

(a) 1. The financial statements filed as part of this report are listed in the Index to Financial Statements and Schedules under Part II, Item 8 of this Form 10-K.

2. The financial statement schedules filed as part of this report are listed in the Index to Financial Statements and Schedules under Part II, Item 8 of this Form 10-K.

3. Exhibits:

3.1 Restated Articles of Incorporation as filed on September 5, 1990 and amended on February 16, 1993 (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 1993 and incorporated herein by reference).

3.2 Amended and Restated By-Laws as adopted by the Board of Directors on July 11, 2000.

4.1 Provisions regarding Common Stock in Article IV of the Restated Articles of Incorporation, as amended (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 28, 1998 and incorporated herein by reference).

4.2 Provisions regarding Redeemable Preferred Stock in Article V of the Restated Articles of Incorporation, as amended (filed as Exhibit 3.1 to this Report and incorporated herein by reference).

10.1 Second amended and Restated Loan Agreement between the Company and Wells Fargo Bank (Texas), N.A. dated March 31, 2000 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 26, 2000 and incorporated herein by reference).

10.2 Stock Purchase Agreement between the Company and Kleinwort Benson Limited dated April 28, 1995 (filed as Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 26, 1995 and incorporated herein by reference).

10.3 Redemption Agreement between the Company and Kleinwort Benson Limited dated June 24, 1994 (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended June 26, 1994 and incorporated herein by reference.)

10.4 Employment Agreement between the Company and C. Jeffrey Rogers dated October 23, 1997 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 28, 1997 and incorporated herein by reference).*

10.5 Employment Agreement between the Company and Ronald W. Parker dated October 23, 1997 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 28, 1997 and incorporated herein by reference).*

10.6 1993 Stock Award Plan of the Company (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended June 26, 1994 and incorporated herein by reference).*

10.7 1993 Outside Directors Stock Award Plan of the Company (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended June 26, 1994 and incorporated herein by reference).*

10.8 1992 Stock Award Plan of the Company (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 1993 and incorporated herein by reference).*

21.0 List of Subsidiaries of the Company (filed as Exhibit 21.0 to the Company's Annual Report on Form 10-K for the fiscal year ended June 26, 1994 and incorporated herein by reference).

23.0 Consent of Independent Accountants.

27.0 Financial Data Schedule

* Denotes a management contract or compensatory plan or arrangement filed pursuant to Item 14 (c) of this report.

(b) No reports were filed on Form 8-K during the fourth quarter of the

Company's fiscal year 2000.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 21, 2000 By: /s/ Shawn Preator
Shawn Preator
Vice President
Controller and Treasurer
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name and Position	Date
/s/Steve A. Ungerman ----- Steve A. Ungerman Director and Chairman of the Board	September 21, 2000 -----
/s/C. Jeffrey Rogers ----- C. Jeffrey Rogers Director, Vice Chairman Chief Executive Officer (Principal Executive Officer)	September 21, 2000 -----
/s/Butler E. Powell ----- Butler E. Powell Director	September 21, 2000 -----
/s/Ramon D. Phillips ----- Ramon D. Phillips Director	September 21, 2000 -----
/s/F. Jay Taylor ----- F. Jay Taylor Director	September 21, 2000 -----
/s/Bobby L. Clairday ----- Bobby L. Clairday Director	September 21, 2000 -----
/s/Ronald W. Parker ----- Ronald W. Parker Director, President and Chief Operating Officer (Principal Financial Officer)	September 21, 2000 -----

AMENDED AND RESTATED BY-LAWS
OF
PIZZA INN, INC.

(AS AMENDED JULY 11, 2000)

ARTICLE I - OFFICE

The principal office of the Corporation shall be located in the County of Dallas, Texas. The Corporation may have offices at such other places, both within and without the State of Missouri, as the Board of Directors may from time to time designate.

ARTICLE II - SEAL

The corporate seal shall have inscribed thereon the name of the Corporation.

ARTICLE III - SHAREHOLDERS' MEETING

Section 1. Place of Meeting. All meetings of the shareholders shall be held at such location, either within or without the State of Missouri, as designated, from time to time, by a majority of the Board of Directors.

Section 2. Annual Meeting. The annual meeting of the shareholders, commencing with the year 1992, shall be held on Wednesday of the second full calendar week of December of each year at 10:00 a.m., or any other day determined by the Board of Directors within sixty (60) calendar days before or after such date, when the shareholders shall conduct business as shall properly come before the meeting. It is expressly provided in Article IV hereof that the Board of Directors is divided into two classes, Class I Directors consisting of four (4) Directors who shall hold office for two (2) years from election at the annual meeting of the shareholders in 1992, and Class II Directors consisting of three (3) Directors who shall hold office until the annual meeting of shareholders in 1993. Commencing with the annual meeting of shareholder in 1992 and 1993, the shareholders shall elect members to Class I and Class II, respectively, to serve for their respective two (2) year terms and until their successors are duly elected or chosen and qualify. Vacancies occurring on the Board of Directors shall be filled in accordance with the provision hereinafter set forth in Section 3 of Article IV hereof.

Section 3. Quorum. The holders of a majority of the stock issued and outstanding entitled to vote at any meeting, present in person or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the shareholders for the transaction of business, except as otherwise provided by express provision of the statutes, the Articles of Incorporation or by these By-laws.

Section 4. Voting. At each meeting of the shareholders, every shareholder entitled to vote at any meeting shall be entitled to vote in person, or by proxy, appointed by an instrument in writing subscribed by such shareholder, or by his duly authorized attorney-in-fact, and he shall have one vote for each share of stock registered in his name at the time of the closing of the transfer books for said meeting. The vote of the holders of a majority of the stock having voting power, present in person or represented by proxy, shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes, the Articles of Incorporation or these By-laws, a different vote is required, in which case, such express provision shall govern and control the decision of such questions.

Section 5. Cumulative Voting. In all elections for Directors, every

holder of voting shares shall have the right to vote, in person, or by proxy, or by his duly authorized attorney-in-fact, the number of shares owned by him for as many persons as there are Directors to be elected, or to cumulate said voting shares, and give one candidate as many votes as the number of Directors, multiplied by the number of his voting shares, shall equal or to distribute them on the same principle among any number of candidates as he shall see fit.

Section 6. Notice of Meeting. Notice of any special or annual meeting

shall be served personally on each shareholder or shall be mailed to each shareholder at such address as appears on the stock book of the Corporation not less than ten (10) days nor more than sixty (60) days before such meeting. Service or mailing of such notice shall be made by the Secretary. In addition, such published notice shall be given as required by law. The notice of any special meeting shall state the purpose or purposes of the proposed meeting.

Section 7. Special Meetings. Special meetings of the shareholders for any

purpose or purposes may be called by the Chief Executive Officer or by the Board of Directors, or by the Secretary at the request in writing by shareholders owning at least one-third (1/3) in amount of the entire capital stock of the Corporation issued and outstanding.

Section 8. Waiver of Notice. Any shareholder may waive notice of any

meeting of the shareholders, by a writing signed by him, or by his duly authorized attorney-in-fact, either before or after the time of such meeting. A copy of such waiver shall be entered in the minutes, and shall be deemed to be the notice required by law or by these By-laws. Any shareholder present in person, represented by proxy or represented by his duly authorized attorney-in-fact, at any meeting of the shareholders, shall be deemed to have thereby waived notice of such meeting, except where a shareholder attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 9. Informal Action by Shareholders. Whenever the vote of

shareholders at a meeting thereof is required or permitted to be taken in connection with any corporate action by any provisions of the statutes, the Articles of Incorporation or these By-laws, the meeting, any notice thereof and vote of shareholders thereat may be dispensed with if all the shareholders who would have been entitled to vote upon the action, if such meeting were held, shall consent in writing to such corporate action being taken. Such consents shall have the same force and effect as a unanimous vote of the shareholders at a meeting duly held, and may be stated as such in any certificate or document filed under the statutes of Missouri. Such written consent shall be filed with the minutes of shareholders' meetings.

Section 10. Shareholders Entitled to Vote. The Board of Directors may

prescribe a period not exceeding sixty (60) days prior to any meeting of the shareholders during which no transfer of stock on the books of the Corporation may be made. The Board of Directors may fix a day not more than sixty (60) days prior to the holding of any meeting of the shareholders as the day as of which shareholders are entitled to notice of and to vote at such meeting.

Section 11. Organization. The Chairman of the Board, and in his absence,

the Chief Executive Officer, and in his absence, the President, and in the absence of the Chairman of the Board, the Chief Executive Officer, the President and all the Vice Presidents, a chairman pro tem chosen by the shareholders present, shall preside at such meeting of shareholders and shall act as chairman thereof. The Secretary, and in his absence the Assistant Secretary, a Secretary pro tem chosen by the shareholders present, shall act as secretary of all meetings of the shareholders.

Section 12. Adjournment. If at any meeting of the shareholders, a quorum

shall fail to attend at the time and place for which the meeting was called, or if the business of such meeting shall not be completed, the shareholders present

in person, represented by proxy may, by a majority vote, adjourn the meeting from day to day or from time to time, not exceeding ninety (90) days from such adjournment without further notice until a quorum shall attend or the business thereof shall be completed. At any such adjourned meeting, any business may be transacted which might have been transacted at the meeting as originally called.

ARTICLE IV - DIRECTORS

Section 1. Number and Election. The number of Directors of the Corporation to constitute the Board of Directors shall be seven (7). Each Director shall hold office until such Director's successor has been elected and has qualified, or until such Director's death, retirement, disqualification, resignation or removal.

Section 2. Classes, Election and Term. The Board of Directors shall be and is divided into two (2) classes, designated Class I and Class II. Class I Directors shall consist of four (4) Directors who shall hold for office two (2) years from election at the annual meeting of the shareholders in 1992, and Class II shall consist of three (3) Directors who shall hold office until the annual meeting of shareholders in 1993. Commencing with the annual meeting of shareholders in 1992 and 1993, the shareholders shall elect members to Class I and Class II, respectively, to serve for their respective two (2) year terms and until their successors are duly elected or chosen and qualified. Vacancies occurring on the Board of Directors shall be filled in accordance with the provision hereinafter set forth in Section 3 of Article IV hereof.

Section 3. Vacancies. Any vacancy on the Board of Directors arising from the death, resignation, retirement, disqualification, or removal from office of one or more Directors, may be filled by a majority of the Board of Directors then in office, although less than a quorum, or by a sole remaining Director. Any Director elected to fill a vacancy shall have the same remaining term as that of his or her predecessor.

Section 4. Powers of the Board. The business of the Corporation shall be managed by its Board of Directors, which may exercise all such powers of the Corporation, and do all such lawful acts and things as are not by statute, or by the Articles of Incorporation, or by these By-laws, directed or required to be exercised or done by the shareholders.

Section 5. Removal of Directors. Except as otherwise expressly provided in the Articles of Incorporation, the shareholders shall have the power by a vote of the holders of a majority of the seventy-five percent (75%) shares then entitled to vote at an election of Directors at any meeting expressly called for that purpose, to remove any Director from office with or without cause. Such meeting shall be held at the registered office or principal business office of the Corporation in the State of Texas or at such other location within or without the States of Missouri or Texas, as directed, from time to time, by the Board of Directors. If less than the entire Board is to be removed, no one of the Directors may be removed if the votes cast against his removal would be sufficient to elect him, if then cumulatively voted at an election of the entire Board of Directors.

ARTICLE V - MEETINGS OF THE BOARD

Section 1. Place of Meetings. Meetings of the Board of Directors of the Corporation, both regular and special, may be held at any place either within or without the State of Missouri. Members of the Board of Directors or of any committee designated by the Board of Directors may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment, whereby all persons participating in the meeting can hear each other, and participation in a meeting in this manner shall constitute presence in person at the meeting.

Section 2. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall from time to time be determined by the Board.

Section 3. Notice of Regular Meetings. After the time and place of

regular meetings shall have been determined, no notice of any regular meetings

need be given. Notice of any change in the place of holding any regular meeting, or any adjournment of a regular meeting, shall be given by mail, telegram, or telephone not less than forty-eight (48) hours before such meeting, to all Directors who were absent at the time such action was taken.

Section 4. Special Meetings. Special meetings of the Board, for any

purpose, may be called by the Chairman of the Board on three (3) days' notice to each Director, either personally, by mail or by telegram. Upon like notice, the Secretary of the Corporation, upon the written request of a majority of the Directors, shall call a special meeting of the Board. Such request shall state the purpose or purposes of the proposed meeting. The officer calling the special meeting may designate the place for holding same.

Section 5. Quorum. At all meetings of the Board, a majority of the

Directors entitled to vote shall constitute a quorum for the transaction of

business, and the act of a majority of the Directors so entitled to vote, present at any meeting at which there is a quorum, shall be the act of the Board of Directors, except where otherwise provided by statute, by the Articles of Incorporation or by these By-laws. If a quorum shall not be present at any meeting of the Board of Directors, the Directors entitled to vote present thereat may adjourn the meeting, from time to time, without notice other than announcement, at the meeting that the meeting is adjourned until a quorum shall be present.

Section 6. Waiver of Notice. Any Director may waive notice of any meeting

of the Board by a writing signed by him, either before or after the time of such meeting. A copy of such waiver shall be entered in the minutes and shall be deemed to be the notice required by statute or by these By-laws. Any Director present in person, or by means of conference telephone or similar communications equipment, at any meeting of the Board, shall be deemed to have thereby waived notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 7. Informal Meetings. Whenever the vote of Directors at a meeting

thereof is required or permitted to be taken in connection with any corporate action by any provisions of the statutes or of the Articles of Incorporation, the meeting, any notice thereof, and vote of Directors thereat, may be dispensed with if all the Directors who would have been entitled to vote upon the action, if such meeting were held, shall consent in writing to such corporate action being taken. Such written consent shall be filed with the minutes of the Board.

Section 8. Organization. The Chairman of the Board, and in his absence,

the Chief Executive Officer, and in his absence, the President, and in the absence of the Chairman of the Board, the Chief Executive Officer, the President and all the Vice Presidents, a chairman pro tem chosen by the Directors present, shall preside at each meeting of the Directors and shall act as Chairman thereof. The Secretary, and in his absence, the Assistant Secretary, and in his absence a secretary pro tem chosen by the Directors present, shall act as Secretary of all meetings of the Directors.

Section 9. Minutes and Statements. The Board of Directors shall cause to

be kept a complete record of their meetings and acts, and of the proceedings of the shareholders.

ARTICLE VI - OFFICERS

Section 1. Officers. The officers of this Corporation shall be a Chairman

of the Board, any number of Vice Chairmen (who may be specifically designated with a descriptive title), a President, one or more Vice Presidents (any one of whom may be specifically designated or Senior Vice President, or some particular phrase descriptive of a portion of the Corporation's business), a Secretary, one or more assistant Secretaries, and a Treasurer, all of whom shall be chosen by the Board of Directors. Any person may hold two or more offices, except the offices of President and Secretary.

Section 2. Subordinate Officers and Employees. The Board of Directors

may appoint such other officers and agents, as it may deem necessary, who shall hold their offices for such terms, and shall exercise such powers and perform such duties, as shall be determined from time to time by the Board.

Section 3. Compensation. The Board of Directors shall, from time to time,

in its discretion, fix or alter the compensation of any officer or agent.

Section 4. Tenure of Office and Removal. The officers of the Corporation

shall hold office until their successors are chosen and qualify. Any officer, elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors.

Section 5. Chairman of the Board. The Chairman of the Board shall preside

at all meetings of the shareholders and the Directors. He shall perform such other duties and have such other powers as the Board of Directors may, from time to time, prescribe.

Section 6. Vice Chairman. The Vice Chairman, if any, in such order as

designated by the Board of Directors, shall, in the absence or disability of the Chairman, perform the duties and exercise the powers of the Chairman and shall perform such other duties and have such other powers as the Board of Directors or the Chairman may, from time to time, prescribe.

Section 7. Chief Executive Officer. The Chief Executive Officer shall be

the ranking chief executive officer of the Company, shall have general supervision of the affairs of the Company and general control of all of its business and shall see that all orders and resolutions of the Board are carried into effect. The Chief Executive Officer may delegate all or any of his powers or duties to the president, if and to the extent deemed by the Chief Executive Officer to be desirable or appropriate.

Section 8. President. The President shall be the chief operating officer

of the Company and shall, subject to the supervision of the Chief Executive Officer and the Board, have general management and control of the day-to-day business operations of the Company. The President shall put into operation the business policies of the Company as determined by the Chief Executive Officer and the Board and as communicated to him by such officer and bodies. In the absence of the Chief Executive Officer or in the event of his inability or refusal to act, the President shall perform the duties and exercise the powers of the Chairman of the Board.

Section 9. Vice Presidents. The Vice Presidents, in the order designated

by the Board of Directors, shall, in the absence or disability of the President, perform the duties and exercise the powers of the President and shall perform such other duties and have such other powers as the Board of Directors or the President may, from time to time, prescribe.

Section 10. Secretary. The Secretary shall attend all meetings of the

shareholders of the Corporation and of the Board of Directors, and shall record all of the proceedings of such meetings in minute books kept for that purpose. He shall keep in safe custody the corporate seal of the Corporation, and is authorized to affix the same to all instruments requiring the Corporation's seal. He shall have charge of the corporate records, and, except to the extent authority may be conferred upon any transfer agent or registrar duly appointed by the Board of Directors, he shall maintain the Corporation's books and stock ledgers, and such other books, records and papers as the Board of Directors may, from time to time, entrust to him. He shall give or cause to be given proper notice of all meetings of shareholders and Directors, as required by law and the By-laws, and shall, with the President, or a Vice President, sign the stock certificates of the Corporation, and shall perform such other duties as may, from time to time, be prescribed by the Board of Directors or the President.

Section 11. Assistant Secretary. Each Assistant Secretary shall assist

the Secretary in the performance of his duties, and may at any time, perform any of the duties of the Secretary; in case of the death, resignation, absence, or disability of the Secretary, the duties of the Secretary shall be performed by an Assistant Secretary, and each Assistant Secretary shall have such other powers and perform such other duties as, from time to time, may be assigned to him by the Board of Directors.

Section 12. Treasurer. The Treasurer shall have the custody of the

corporate funds and securities, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation, and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation, in such depositories as may be designated by the Board of Directors. He shall deposit the funds of the Corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Corporation, as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and Directors at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer, and of the financial condition of the Corporation.

ARTICLE VII - RESIGNATIONS

Any Director or officer may resign his office at any time, such resignation to be made in writing and to take effect from the time of its receipt by the Corporation, unless some time be fixed in the resignation, and then from that time. The acceptance of a resignation shall not be required to make it effective.

ARTICLE VIII - CERTIFICATES OF STOCK AND TRANSFERS

Section 1. Form and Execution of Certificates. Each shareholder of the

Corporation, whose stock has been paid for in full, shall be entitled to have a certificate or certificates certifying the number of shares of stock of the Corporation owned by him. The certificates of stock shall be numbered and registered as they are issued. They shall exhibit the holder's name and the number of shares, and shall be signed by the Chairman of the Board, the Chief Executive Officer, the President or the Vice President, and the Secretary or the Assistant Secretary, and have affixed to them the seal of the Corporation.

Section 2. Restricted Stock. The Corporation shall, at all times, have

the authority and discretion to place a restrictive legend on those shares of stock which may not be transferred pursuant to the various federal, state and local securities laws, rules and regulations.

Section 3. Transfer of Stock. Shares of nonrestricted stock may be

transferred by endorsement thereon of the signature of the proprietor, his agent, attorney or legal representative, and such guaranties as may be required by the Transfer Agent and Registrar, and the delivery of the certificate; but such transfer shall not be valid against the Corporation until the same is so entered on the books of the Corporation and the old certificate is surrendered for cancellation.

Section 4. Registered Shareholders. The Corporation shall be entitled to

treat the registered holder of any share or shares of stock, whose name appears on its books as the owner or holder thereof, as the absolute owner of all legal and equitable interest therein, for all purposes and (except as may be otherwise provided by law) shall not be bound to recognize any equitable or other claim to or interest in such shares of stock on the part of any other person, regardless of whether or not it shall have actual or implied notice of such claim or interest.

Section 5. Closing of Stock Transfer Books - Fixing Record Date. The Board

of Directors shall have power to close the stock transfer books of the Corporation for a period not exceeding sixty (60) days preceding the date of any meeting of shareholders, or the date for payment of any dividend, or the date for the allotment of rights, or the date when any change, conversion, or exchange of capital stock shall go into effect; provided, however, that in lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix, in advance, a date not exceeding sixty (60) days preceding the date of any meeting of shareholders, or the date of the payment of any dividend, or the date for the allotment of rights, or the date when any change, conversion, or exchange of capital stock shall go into effect, as a record date for the determination of the shareholders entitled to notice of, and to vote at any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, and in such case such shareholders, and only such shareholders who are shareholders of record on the date so fixed, shall be entitled to notice of, and to vote at such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid. If the Board of Directors does not close the transfer books or set a record date for the determination of the shareholders entitled to notice of, and to vote at, a meeting of shareholders, only the shareholders who are shareholders of record at the close of business on the twentieth day preceding the date of the meeting shall be entitled to notice of, and to vote at, the meeting, and any adjournment of the meeting, except that, if prior to the meeting written waivers of notice of the meeting are signed and delivered to the Corporation by all of the shareholders of record at the time the meeting is convened, only the shareholders who are shareholders of record at the time the meeting is convened shall be entitled to vote at the meeting, and any adjournment of the meeting.

Section 6. Lost Certificates. The Board of Directors may direct a new

certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed and the Board may adopt and approve a Comprehensive Bond offered by the Transfer Agent and Registrar. When authorizing such issue of a new certificate or certificates, the Board of Directors or the Transfer Agent and Registrant may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates or his legal representative, to advertise the same in such manner as it shall require, and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

ARTICLE IX - DEALINGS WITH COMPANIES IN

WHICH DIRECTORS MAY HAVE AN INTEREST

Inasmuch as the Directors of this Corporation are or may be persons of diversified business interests, and are likely to be connected with other corporations with which from time to time this Corporation may have business dealings, no contract or other transaction between this Corporation and any other corporation shall be affected by the fact that Directors of this Corporation are interested in, or are directors or officers of such other corporation.

ARTICLE X - MISCELLANEOUS PROVISIONS

Section 1. Fiscal Year. The fiscal year of the Corporation shall be

determined by the Board of Directors.

Section 2. Inspection of Books. The Directors shall determine, from time

to time, whether, and if allowed, when and under what conditions and regulations, the accounts and books of the Corporation (except such as may by statute be specifically open to inspection) or any of them, shall be open to inspection of the shareholders, and shareholders' rights, in this respect, are and shall be restricted and limited accordingly.

Section 3. Checks and Notes. All checks and drafts on the Corporation's

bank accounts, and all bills of exchange and promissory notes, and all acceptances, obligations and other instruments for the payment of money, shall be signed by such officer or officers, or agent or agents, as shall be thereunto duly authorized, from time to time, by the Board of Directors; provided, that checks drawn on the Corporation's payroll, dividend and special accounts, may bear the facsimile signatures, affixed thereto by a mechanical devise, of such officers or agents as the Board of Directors may authorize.

Section 4. Dividends. The Board of Directors shall declare such

dividends, as they in their discretion see fit, whenever the condition of the

Corporation, in their opinion, shall warrant the same. The Board may declare dividends in cash, in property or in capital stock.

Section 5. Notices. Whenever, under the provisions of these By-laws,

notice is required to be given to any Director, officer or shareholder, it shall not be construed to mean personal notice, but such notice may be given in writing by depositing the same in the post office or letter box, in a postage paid sealed wrapper addressed to such shareholder, officer or Director at such address as appears on the records of the Corporation, and such notice shall be deemed to be given at the time when the same shall be thus mailed.

Section 6. Plan of Reorganization. The term "Plan of Reorganization"

shall mean the Debtors' Second Amended Joint Plan of Reorganization, together with any modifications thereto as may be filed by the debtors and debtors-in-possession, in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, in the following Chapter 11 reorganization cases: In Re: Pizza Inn, Inc. f/k/a PZ Acquico, Inc., Debtor, Case No. 389-35942-HCA-11; In Re: Memphis Pizza Inns, Inc., Debtor, Case No. 389-35944-HCA-11; and In Re: Pantera's Corporation, Debtor, Case No. 389-35943-HCA-11, as approved by the Bankruptcy Court.

ARTICLE XI - INDEMNIFICATION OF OFFICERS AND DIRECTORS

AGAINST LIABILITIES AND EXPENSE IN ACTIONS

1. Indemnification with Respect to Third Party Actions. The

Corporation shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative (other than an action by or in the right of this Corporation) by reason of the fact that he is or was a director, officer, employee or agent of this Corporation, or is or was serving at the request of this Corporation as a director, officer, employee, partner, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines, taxes and amounts paid in settlement, actually and reasonably incurred by him in connection with such action, suit or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of this Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its

equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of this Corporation, and, with respect to any criminal action or proceeding, that he had reasonable cause to believe that his conduct was unlawful.

2. Indemnification with Respect to Actions by or in the Right of the

Corporation. This Corporation shall indemnify any person who was or is a party,

or is threatened to be made a party to any threatened, pending or completed action, suit by or in the right of this Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of this Corporation, or is or was serving at the request of this Corporation as a director, officer, employee, partner, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of this Corporation, except that no indemnification shall be made in respect of any claim, issue or matter if such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation, unless and only to the extent that the court in which such action or suit was brought, shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper. Any indemnification under this Article XI (unless ordered by a court) shall be made by this Corporation only as authorized in the specific instance upon a determination that indemnification of the director, officer, employee, partner, trustee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in this Article XI. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or (3) by the shareholders. To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in this Article XI, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees), actually and reasonably incurred by him, in connection with the action, suit, or proceeding.

3. Payment of Expenses in Advance of Disposition of Action. Expenses

incurred in defending any actual or threatened civil or criminal action, suit, or proceeding may be paid by this Corporation in advance of the final disposition of such action, suit, or proceeding, as authorized by the Board of Directors in the specific instance upon receipt of an undertaking by or on behalf of the director, officer, employee, partner, trustee or agent to repay such amount, unless it shall be ultimately determined that he is entitled to be indemnified by the Corporation as authorized in this Article XI.

4. Indemnification Provided in this Article Non-Exclusive. The

indemnification provided in this Article XI shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any By-law, agreement, vote of shareholders or disinterested Directors or otherwise, both as to action in his official capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, partner, trustee or agent and shall inure to the benefit of the heirs, executors and administrator of such a person.

5. Definition of "Corporation". For the purposes of this Article XI,

references to this "Corporation" include all constituent corporations absorbed in a consolidation or merger, as well as the resulting or surviving corporation so that any person who is or was a director, officer, employee, partner, trustee or agent of such a constituent corporation as a director, officer, employee, partner, trustee or agent of another enterprise shall stand in the same position under the provision of this Article XI with respect to the resulting surviving corporation in the same capacity.

6. Saving Clause. In the event any provision of this Article XI shall

be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provisions of this Article XI and any other provisions of this Article XI shall be construed as if such invalid provisions had not been contained in this Article XI.

ARTICLE XII - AMENDMENTS

Subject to any and all restrictions imposed, or prohibitions provided by the General and Business Corporation Law of Missouri, these By-laws may be

altered, amended, suspended, or repealed and new By-laws may be adopted, from time to time, by a majority vote of the Board of Directors.

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