

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 28, 1997.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

COMMISSION FILE NUMBER 0-12919

PIZZA INN, INC.
(EXACT NAME OF REGISTRANT IN ITS CHARTER)

MISSOURI
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

47-0654575
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

5050 QUORUM DRIVE
SUITE 500
DALLAS, TEXAS 75240
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES,
INCLUDING ZIP CODE)

(972) 701-9955
(REGISTRANT'S TELEPHONE NUMBER,
INCLUDING AREA CODE)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES X NO

INDICATE BY CHECK MARK WHETHER THE REGISTRANT HAS FILED ALL DOCUMENTS AND REPORTS REQUIRED TO BE FILED BY SECTIONS 12, 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 SUBSEQUENT TO THE DISTRIBUTION OF SECURITIES UNDER A PLAN CONFIRMED BY A COURT. YES X NO

AT SEPTEMBER 28, 1997, AN AGGREGATE OF 12,749,705 SHARES OF THE REGISTRANT'S COMMON STOCK, PAR VALUE OF \$.01 EACH (BEING THE REGISTRANT'S ONLY CLASS OF COMMON STOCK), WERE OUTSTANDING.

PIZZA INN, INC.

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended	
	September 28, 1997	September 29, 1996
	-----	-----
REVENUES:		
Food and supply sales	\$ 14,461	\$ 15,421
Franchise revenue	1,794	1,600
Restaurant sales	697	685
Other income	98	28
	-----	-----
	17,050	17,734
	-----	-----
COSTS AND EXPENSES:		
Cost of sales	13,054	13,966
Franchise expenses	903	742
General and administrative expenses	1,300	1,325
Interest expense	140	192
	-----	-----
	15,397	16,225
	-----	-----
INCOME BEFORE INCOME TAXES	1,653	1,509
Provision for income taxes	562	513
	-----	-----
NET INCOME	\$ 1,091	\$ 996
	=====	=====
NET INCOME PER COMMON SHARE	\$ 0.08	\$ 0.07
	=====	=====
DIVIDENDS PER COMMON SHARE	\$ 0.06	\$ -
	=====	=====

See accompanying Notes to Condensed Consolidated Financial Statements

PIZZA INN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 28, 1997	June 29, 1997
	----- (Unaudited)	-----
ASSETS		

CURRENT ASSETS		
Cash and cash equivalents	\$ 1,267	\$ 2,037
Restricted cash and short-term investments	295	295
Accounts receivable, less allowance for doubtful accounts of \$759 and \$939, respectively	7,284	6,711
Notes receivable, less allowance for doubtful accounts of \$57 and \$60, respectively	597	593
Inventories	1,863	2,224
Prepaid expenses and other	456	452
	-----	-----
Total current assets	11,762	12,312
PROPERTY, PLANT AND EQUIPMENT, net	2,130	2,044
PROPERTY UNDER CAPITAL LEASES, net	891	934
DEFERRED TAXES, net	7,963	8,492
OTHER ASSETS		
Long-term notes, less allowance for doubtful accounts of \$125 and \$122, respectively	151	149
Other long-term assets	1,307	379
	-----	-----
	\$ 24,204	\$ 24,310
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		

CURRENT LIABILITIES		
Current portion of capital lease obligations	\$ 118	\$ 115
Accounts payable - trade	1,505	1,482
Accrued expenses	3,323	2,917
	-----	-----
Total current liabilities	4,946	4,514
LONG-TERM LIABILITIES		
Long-term debt	6,685	6,910
Long-term capital lease obligations	849	879
Other long-term liabilities	764	786
SHAREHOLDERS' EQUITY		
Common Stock, \$.01 par value; 26,000,000 shares authorized; outstanding 12,749,705 and 12,713,562 shares, respectively (after deducting shares in treasury: 1998 - 1,976,116; 1997 - 1,790,416)	127	127
Additional paid-in capital	4,278	4,061
Retained earnings	6,555	7,033
	-----	-----
Total shareholders' equity	10,960	11,221
	-----	-----
	\$ 24,204	\$ 24,310
	=====	=====

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended	
	September 28, 1997	September 29, 1996
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,091	\$ 996
Add non-cash items	754	656
Changes in assets and liabilities:		
Accounts and notes receivable	(577)	(270)
Inventories	361	(229)
Accounts payable - trade	23	(968)
Accrued expenses	(370)	211
Other - net	(18)	55
	-----	-----
Cash provided by operating activities	1,264	451
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(220)	(73)
Reacquisition of area development territory	(986)	-
	-----	-----
Cash used for investing activities	(1,206)	(73)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt and capital lease obligations	(252)	(500)
Proceeds from exercise of stock options	284	162
Purchases of treasury stock	(860)	(43)
	-----	-----
Cash used for financing activities	(828)	(381)
	-----	-----
Net decrease in cash and cash equivalents	(770)	(3)
Cash and cash equivalents, beginning of period	2,037	653
	-----	-----
Cash and cash equivalents, end of period	\$ 1,267	\$ 650
	=====	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

CASH PAYMENTS FOR:		
Interest	\$ 152	\$ 141
Income taxes	-	-

See accompanying Notes to Condensed Consolidated Financial Statements

- (1) The accompanying condensed consolidated financial statements of Pizza Inn, Inc. (the "Company") have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements in its Form 10-K for the fiscal year ended June 29, 1997.

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

- (2) For the three months ended September 28, 1997 and September 29, 1996, common stock equivalents were 786,174 and 798,795, respectively, and the total weighted average number of shares considered to be outstanding were 13,466,216 and 13,721,024, respectively.
- (3) In July 1997, the Company reacquired the area development rights for the majority of Tennessee and portions of Kentucky. The Company paid \$986,000 in cash for these rights, and recorded a long-term asset for the same amount. Restaurants operating or developed in the reacquired territory will now pay all royalties and franchise fees directly to Pizza Inn, Inc. The asset will be amortized over approximately five years, based on the expected cash flow from the territory.
- (4) In August 1997, the Company's Board of Directors declared a quarterly dividend of \$0.06 per share on the Company's common stock, payable October 24, 1997 to shareholders of record on October 10, 1997. The Company's balance sheet as of September 28, 1997 includes a current liability of \$776,000 for dividends declared but not yet paid.
- (5) In August 1997, the Company signed a new agreement (the "New Loan Agreement") with its current lender, Wells Fargo, to refinance its existing debt under a new revolving credit facility. The new \$9.5 million revolving credit line combines the Company's existing \$6.9 million term loan with its \$1 million revolving credit line, plus an additional \$1.6 million revolving credit commitment. The revolving credit note matures in August 1999 and is secured by essentially all of the Company's assets.

Interest on the revolving credit line is payable monthly. Interest is provided for at a rate equal to prime plus an interest 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. A 0.5% annual commitment fee is payable on any unused portion of the revolving credit line.

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

- (6) In February 1997, the FASB issued FAS No. 128, Earnings per Share ("FAS 128"), which is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. Effective December 28, 1997, the Company will adopt FAS 128, which establishes standards for computing and presenting earnings per share (EPS). The statement requires dual presentation of basic and diluted EPS on the face of the income statement for entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation, to the numerator and denominator of the diluted EPS calculation. 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 into or resulted in the issuance of common stock that then shared in the earnings of the entity. The pro forma EPS amounts shown below have been calculated assuming the Company had already adopted the provisions of this statement.

Three Months Ended

September 28, 1997	September 29, 1996
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Basic EPS	\$.09		\$.08
Diluted EPS		.08			.07

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

Quarter ended September 28, 1997 compared to the quarter ended September 29, 1996.

Net income for the current quarter increased 10% to \$1,091,000 or \$0.08 per share, from \$996,000 or \$0.07 per share for the same quarter last year.

Food and supply sales from the Company's distribution division decreased 6% or \$960,000 in the current year. This was primarily the result of slightly lower domestic retail sales, decreases in the market price of certain commodities, and a \$471,000 decrease in international food and supply sales. This decrease in international food and supply sales was the result of a large initial shipment to a new international location in the prior year.

Franchise revenue, which includes income from royalties, license fees, and area development and foreign master license (collectively, "Territory") sales, increased 12% or \$194,000 compared to the prior year. This was primarily due to an increase in income recognized from Territory sales in the current year. The timing and amount of proceeds from Territory sales may vary significantly from year to year. Current year sales include partial recognition of proceeds from the sale of Territory rights for Korea, the Palestinian Territories, Brazil, South Carolina and Virginia. Royalties increased slightly due to the reacquisition of the area development rights for the majority of Tennessee and portions of Kentucky during the quarter. Royalties from all restaurants operating in this territory, including the portion of royalties formerly retained by the area developer, are now paid directly to the Company.

Other income consists primarily of interest and non-recurring revenue items. The current year includes a gain on the sale of a liquor license in New Mexico.

Cost of sales decreased 7% or \$912,000 for the quarter, primarily reflecting the decrease in food and supply sales noted above. As a percentage of sales, cost of sales was slightly lower in the current quarter due to increased purchasing efficiencies.

Franchise expenses increased 22% or \$161,000 compared to the same quarter last year, reflecting increases in expenditures for sales, marketing, training and field service personnel, as well as increased travel for new store openings and new product roll-out. Franchise expenses for the current year also include the amortization of the reacquired area development Territory. The Company paid \$986,000 in cash for this Territory, and recorded a long-term asset for the same amount. The asset will be amortized over approximately five years, based on the expected cash flow from the territory.

General and administrative expenses remained at approximately the same amount as last year, as the Company continues to hold down costs not directly related to the franchise and distribution areas of the business.

Interest expense decreased 27% or \$52,000 in the current quarter as a result of lower average debt balances and slightly lower interest rates.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations totaled \$1,264,000 for the first quarter of fiscal 1998, and consisted primarily of net income plus the benefit of the Company's net operating loss carryforwards which significantly reduce the amount of federal income tax actually paid. The Company utilized cash primarily to pay down debt, making a \$225,000 voluntary principal payment during the quarter, to reacquire an area development territory for \$986,000, and to repurchase 185,700 shares of its own common stock for \$860,000.

During the quarter, the Company signed an agreement for the sale of an area development territory covering certain counties in Virginia and South Carolina to an existing area developer for a cash price of \$240,000. The cash proceeds from the sale, which were received on October 1, 1997, are recorded as a receivable at September 28, 1997. This area development agreement, along with other agreements signed during the last four years, contain development commitments for significant unit growth over the next five years. Related growth in royalties and distribution sales are expected to provide adequate working capital. The occurrence of any additional area development sales, which cannot be predicted with any certainty, may also provide significant infusions of cash. External sources of cash are not expected to be required in the foreseeable future.

In August 1997, the Company signed a new agreement (the "New Loan

Agreement") with its current lender, Wells Fargo, to refinance its existing debt under a new revolving credit facility. The new \$9.5 million revolving credit line combines the Company's existing \$6.9 million term loan with its \$1 million revolving credit line, plus an additional \$1.6 million revolving credit commitment. The revolving credit note matures in August 1999 and is secured by essentially all of the Company's assets.

In August 1997, the Company's Board of Directors declared a quarterly dividend of \$0.06 per share on the Company's common stock, payable October 24, 1997 to shareholders of record on October 10, 1997. The Company's balance sheet as of September 28, 1997 includes a current liability of \$776,000 for dividends declared but not paid.

The Company continues to realize substantial benefit from the utilization of its net operating loss carryforwards (which currently total \$18.9 million and expire in 2005) to reduce its federal tax liability from the 34% tax reflected on its statement of operations to an actual payment of approximately 2% of taxable income. Management believes that future operations will generate sufficient taxable income, along with the reversal of temporary differences, to fully realize its net deferred tax asset balance (\$8.0 million as of September 28, 1997). Taxable income in future years at the same level as fiscal 1997 would be sufficient for full realization of the net tax asset. Management believes that, based on recent growth trends and future projections, maintaining current levels of taxable income is achievable and that the Company will be able to realize its net deferred tax asset without reliance on material, non-routine income.

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 and deductions for accrued expenses and deferred revenues.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" contains certain projections and other forward-looking statements that are not historical facts and are subject to various risks and uncertainties, including but not limited to, changes in demand for Pizza Inn products and franchises, the impact of competitors' actions, changes in prices or supplies of food ingredients, and restrictions on international trade and business.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

3. Exhibits:

- 10.1 Employment Agreement between the Company and C. Jeffrey Rogers dated October 23, 1997.
- 10.2 Executive Compensation Agreement between the Company and Ronald W. Parker dated October 23, 1997.

SIGNATURES

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

PIZZA INN, INC.
Registrant

By: /s/C. Jeffrey Rogers
C. Jeffrey Rogers
President and
Principal Executive Officer

By: /s/Elizabeth D. Reimer
Elizabeth D. Reimer
Controller and
Principal Accounting Officer

Dated: November 12, 1997

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1,000

3-MOS

JUN-28-1998

SEP-28-1997

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.08

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), executed on October 23, 1997, is made and entered into effective the 1st day of July, 1997, by and between C. JEFFREY ROGERS (hereinafter referred to as "Rogers"), and PIZZA INN, INC. (hereinafter referred to as the "Company").

W I T N E S S E T H:

WHEREAS, the Company and Rogers entered into that certain Employment Agreement dated July 26, 1990 and subsequent Employment Agreements dated September 25, 1992 and July 1, 1994 (together, the "Employment Agreement"); and

WHEREAS, pursuant to the Employment Agreement, the Company currently employs Rogers as its President and Chief Executive Officer, and the Company and Rogers desire to continue and extend such employment on the terms and conditions set forth; and

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Rogers hereby agree as follows:

ARTICLE I

AGREEMENT

1.01 Employment. Subject to the terms and conditions of this Agreement, the Company agrees to continue to employ Rogers as its President and Chief Executive Officer and Rogers hereby accepts such continued employment with the Company.

1.02 Term. The term (the "Term") of Rogers' employment hereunder shall commence on the effective date of this Agreement set forth above (the "Effective Date") and shall continue through June 30, 2002, unless earlier terminated as provided pursuant to Article V hereof.

1.03 Extensions. During each fiscal year of the Company, beginning with the fiscal year ending in June 1995, the Board of Directors of the Company may extend the term of this Agreement, by an additional fiscal year, without the need to execute an amendment to this Agreement by adopting appropriate resolutions which expressly extend the term of this Agreement for such additional fiscal year and which establish a target amount for pre-tax operating cash flow for such fiscal year pursuant to Section 3.02(c) of this Agreement.

ARTICLE II

TITLE AND AUTHORITY

2.01 Rogers agrees to act as President and/or Chief Executive Officer of the Company and to render such services as are normally delegated to such offices and positions and such additional services as may be delegated to him from time to time by the Board of Directors of the Company (the "Board of Directors") or otherwise stated in the Company's By-Laws, as amended. In performing such duties hereunder, Rogers shall give the Company the benefit of his special knowledge, skills, contacts and business experience and shall devote substantially all of his business time, attention, ability and energy exclusively to the business of the Company. It is agreed that Rogers may have other business investments and participate in other business ventures which may, from time to time, require minor portions of his time, but which shall not interfere or be inconsistent with his duties hereunder.

ARTICLE III

COMPENSATION

3.01 Base Salary. During the Term, the Company will pay to Rogers, as compensation for services rendered under this Agreement, an aggregate base salary (the "Base Salary") of Five Hundred Thirty-Six Thousand Sixty-Five and No/100 Dollars (\$536,065.00) per annum. The Base Salary shall be paid in equal bi-weekly installments less applicable withholding, FICA and other

taxes, if any. Such Base Salary shall be increased by 5% per year commencing on the Effective Date, and on each anniversary of the Effective Date thereafter during the Term.

3.02 Cash Bonuses. The Company agrees to pay Rogers the cash bonuses provided below during the term of this Agreement. In the event the Company fails to meet the required criteria for Rogers to earn any portion of any of the bonuses listed below due to an extraordinary non-recurring event or condition, the Compensation Committee of the Board of Directors has the authority, in its sole discretion, to authorize an additional bonus of an amount not exceeding the amount lost by Rogers due to such event or condition. The Compensation Committee also has the authority, in its sole discretion, to authorize an additional bonus to Rogers at each fiscal year end in the event the Company experiences superior financial or stock price performance and the Compensation Committee deems such a bonus appropriate.

(a) Bonus No. 1. During the Term, the Company will pay to Rogers a cash incentive bonus ("Bonus No. 1") equal to \$150,000 per Company fiscal year if at least 50 new Pizza Inn units are opened during such fiscal year. Payments will be made on a semi-annual basis, 50% on January 1 and July 1 of each year, based upon the opening of at least 25 new Pizza Inn units during each semi-annual period of such fiscal year. To the extent that 25 new units are not opened in either semi-annual period, the entire unpaid amount of Bonus No. 1 shall be paid to Rogers at fiscal year end if 50 new units are opened by fiscal year end.

(b) Bonus No. 2. During the Term, the Company will pay to Rogers a cash incentive bonus ("Bonus No. 2"), payable quarterly, in the amount of \$37,500 for each fiscal quarter in which the Company's operating results report pre-tax income growth or earnings per share growth of at least 10% more than the same quarter in the preceding year. To the extent that there is a shortfall from such goal in any given quarter, the entire year-to-date unpaid amount of Bonus No. 2 shall be paid to Rogers if the total year-to-date pre-tax income growth for such fiscal year is at least 10% more than the previous fiscal year.

(c) Bonus No. 3. During the Term, the Company will pay to Rogers a cash incentive bonus ("Bonus No. 3"), payable at the end of each fiscal year, based on the targets set forth below for pre-tax operating cash flow. For the purposes of this Agreement, "pre-tax operating cash flow" shall mean pre-tax income plus depreciation, amortization, allowance for bad debt, and accrued expense for bonuses issued under this Section 3.02. If pre-tax operating cash flow equals or exceeds the target amount for an applicable year, then Bonus No. 3 shall equal \$200,000. If pre-tax operating cash flow equals or exceeds 75% but is less than 100% of the target amount for an applicable year, then Bonus No. 3 shall equal \$150,000. There shall be no Bonus No. 3 if pre-tax operating cash flow is less than 75% of the target amount for an applicable year. If pre-tax operating cash flow exceeds the target amount for an applicable year by \$300,000 or more, then Bonus No. 3 shall equal \$250,000.

Fiscal Year Ending	Pre-Tax Operating Cash Flow Target
-----	-----
June 1998	\$ 8,000,000
June 1999	\$ 9,000,000
June 2000	\$ 10,000,000
June 2001	\$ 11,000,000
June 2002	\$ 12,000,000

3.03 Stock. It is acknowledged that Rogers owns a substantial number of shares of Common Stock. The issuance of any additional shares of stock to Rogers would be at the discretion of the Company's Board of Directors.

ARTICLE IV

BENEFITS

4.01 Rogers shall receive a \$25,000 yearly allowance to purchase life and disability insurance on each July 1 during the Term. At his option, Rogers shall receive up to a \$10,000 yearly allowance to maintain secondary health, dental and other insurance payable at such time as the premiums for

such insurance are due. In addition, Rogers may participate in the Company's benefit plans. Rogers shall receive an automobile allowance of \$1,350 per month payable on the first day of each month during the Term plus reimbursement of gasoline and maintenance expenses.

ARTICLE V

TERMINATION

5.01 Disability of Rogers. If Rogers shall become disabled, ill or be injured or otherwise become incapacitated such that, in the good faith opinion of the Board of Directors, he cannot fully carry out and perform his duties hereunder, and such incapacity shall continue for a period of 90 consecutive days, the Board of Directors may, at any time thereafter, fully and finally terminate his employment under this Agreement by giving Rogers written notice of such termination; provided, however, Rogers shall continue to receive 25% of his Base Salary for the remainder of the Term. Termination under this Paragraph 5.01 shall be effective as of the date of such notice. The right to terminate Rogers hereby shall expire (if not invoked) at such time as the event causing such incapacity is fully cured.

5.02 Death of Rogers. This Agreement shall automatically terminate upon the death of Rogers; provided, however, that the estate of Rogers shall receive for one (1) year after the date of death, upon the dates that such payments would have been made to Rogers, payments of Base Salary, Bonus No. 1, Bonus No. 2, and Bonus No. 3 pursuant to this Agreement.

5.03 Termination by the Company for Cause. In addition to any other remedies which the Company may have at law or in equity, the Board of Directors may immediately terminate Rogers' employment under this Agreement in the event of the occurrence of any of the following events:

(a) Rogers willfully engages in an act of dishonesty (including, but not limited to, conviction of a felony) which act in and of itself materially injures or damages the Company; or

(b) Rogers willfully fails to substantially perform his duties within fifteen (15) days after written demand for substantial performance is delivered to Rogers by the Board of Directors, which demand specifically identifies the manner in which the Board believes that Rogers has not substantially performed his duties. The Board of Directors shall provide at least ten (10) days prior written notice to Rogers of its intention to discharge Rogers for cause, and such notice must specify in detail the nature of the cause alleged and provide Rogers an opportunity to be heard by the Board of Directors prior to the expiration of such ten day period.

5.04 Termination by the Company Without Cause. The Board of Directors may terminate Rogers without cause (cause being as defined in Paragraph 5.03 above) upon 30 days prior written notice.

5.05 Termination by Rogers. Rogers may, with or without cause, terminate his employment under this Agreement at any time by giving the Company at least 30 days prior written notice of such termination.

5.06 Change of Control. Rogers may terminate this Agreement with or without any reason at any time within six months after a Change of Control has occurred by giving the Company at least ten days prior written notice of such termination. "Change of Control" shall mean any of the following: (a) all or substantially all of the assets of the Company are sold, leased, exchanged or otherwise transferred to any person or entity or group of persons or entities acting in concert as a partnership, limited partnership, syndicate or other group (a "Group of Persons") other than a person or entity or Group of Persons at least 50% of the combined voting power of which is held by Rogers; or (b) the Company is merged or consolidated with or into another corporation with the effect that the then existing stockholders of the Company hold less than 50% of the combined voting power of the then outstanding securities of the surviving corporation of such merger or the corporation resulting from such consolidation ordinarily (and apart from rights accruing under special circumstances) having the right to vote in the election of directors; or (c) a person or entity or Group of Persons (other than (i) the Company or (ii) an employee benefit plan sponsored by the Company) shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, have become the beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934) of securities of the Company representing 50% or more of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from rights accruing under special circumstances) having the right to vote in the election of directors; or (d) individuals who, as of the date hereof, constitute the Board of Directors (the "Incumbent Board") cease for any reason

to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Securities Exchange Act of 1934) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors.

5.07 Termination by Rogers for Good Reason. Rogers may terminate his employment for good reason within twelve months following a Change of Control by giving the Company at least ten days prior written notice of such termination. For purposes of this Agreement, "good reason" shall mean, without Rogers' express written consent, that, following a Change of Control, (i) Rogers is required to relocate, (ii) Rogers is assigned a diminished position or diminished responsibilities with the Company, or (iii) Rogers' annual base salary, bonus or benefits, as the same may be contractually adjusted from time to time, are reduced in any manner other than as provided for in Section 3.02 in this Agreement.

ARTICLE VI

RIGHTS UPON TERMINATION

6.01 If the Company terminates this Agreement pursuant to Paragraphs 5.01 or 5.03 hereof, or if this Agreement is automatically terminated pursuant to Paragraph 5.02 hereof, or if Rogers terminates this Agreement pursuant to Paragraph 5.05 hereof, then Rogers or Rogers' estate, as the case may be, will only be entitled to the salary (under Paragraph 3.01) which has been received or accrued to the date of termination, and Rogers or Rogers' estate, as the case may be, will not be entitled to any additional salary for the remainder of the Term (except as otherwise provided in Paragraph 5.01 or 5.02 hereof). Rogers will not be entitled to any bonus (including any bonuses set forth herein), further equity participation, employee benefit, or any other payment except for bonuses which may have accrued prior to the date of termination.

6.02 If the Company terminates this Agreement pursuant to Paragraph 5.04 hereof, or if Rogers terminates this Agreement pursuant to Paragraph 5.06 or 5.07 hereof, Rogers will be entitled to a lump sum payment within 30 days of termination of all ordinary salary payments as provided in Paragraph 3.01 which would have been paid had Rogers remained in the employment of the Company during the complete Term together with an amount equal to (i) two times the sum of Bonus No. 1, Bonus No. 2 and Bonus No. 3 Rogers would have received in the fiscal year of such termination assuming the Company's financial and operational results for such fiscal year attained the highest levels set forth in Paragraph 3.02 hereof, less (ii) any Bonus No. 1, Bonus No. 2, and Bonus No. 3 actually received in such fiscal year based on operating results of such fiscal year.

6.03 The parties hereto acknowledge and agree that the amount set forth in Paragraph 6.02 is not a penalty or a forfeiture; rather, the amount specified is a reasonable and fair reflection of damages that Rogers might incur in the event this Agreement is terminated pursuant to such paragraph.

6.04(a) If any payment received or to be received by Rogers in connection with a change in control of the Company or termination of Rogers' employment (whether payable pursuant to the terms of this Agreement or any other plan, arrangement, or agreement with the Company, any person whose actions result in a change in control of the Company, or any person affiliated with the Company or such person (together with the severance payment, the "total payments"), will be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, the Company will pay to Rogers, within 30 days of any payments giving rise to excise tax, an additional amount (the "gross-up payment") such that the net amount retained or to be retained by Rogers, after deduction of any excise tax on the total payments and any federal and state and local income tax and excise tax on the gross-up payment provided for by this section, will equal the total payments.

6.04(b) For purposes of determining the amount of the gross-up payment, Rogers will be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year that the payment is to be made, and state and local income taxes at the highest marginal rate of taxation in the state and locality of the executive's residence on the date of termination or the date that excise tax is withheld by the Company, net of the maximum reduction in federal income taxes that could be obtained by deducting such state and local taxes.

6.04(c) For purposes of determining whether any of the total payments would not be deductible by the Company and would be subject to the excise tax, and the amount of such excise tax, (i) total payments will be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Internal Revenue Code, and all parachute payments in excess of the base amount within the meaning of Section 280G(b)(3) will be treated as subject to the excise tax unless, in the opinion of tax counsel selected by the Company's independent auditors and acceptable to Rogers such total payments (in whole or in part) are not parachute payments, or such parachute payments in excess of the base amount (in whole or in part) are otherwise not subject to the excise tax, and (ii) the value of any non-cash benefits or any deferred payment or benefit will be determined by the Company's independent auditors in accordance with Sections 280G(d)(3) and (4) of the Internal Revenue Code.

ARTICLE VII

EXPENSE REIMBURSEMENT

7.01 Rogers is authorized to incur reasonable business expenses in promoting the business of the Company, including expenditures for entertainment and travel. Such expenses shall include economy airfare for commuting between Rogers' residence (which may be his primary or secondary residence) and the Company's corporate office (or such other locations as Rogers needs to conduct the Company's business from time to time). The Company shall reimburse Rogers from time to time for all business expenses which are determined by the Board of Directors to be reasonable. The Company shall reimburse Rogers' legal and resultant accounting expenses incurred in connection with this Agreement.

ARTICLE VIII

BOARD OF DIRECTORS

8.01 In the event of termination of this Agreement, Rogers shall tender his resignation from the Board of Directors.

ARTICLE IX

TRADE SECRETS AND NON COMPETITION

9.01 Trade Secrets. During the Term and at all times thereafter, Rogers shall not use for his personal benefit, or disclose, communicate or divulge to, or use for the direct or indirect benefit of any person, firm, association or company other than the Company or any affiliate or subsidiary of the Company, any material referred to in Paragraph 10.01 or 10.02 or any information regarding the business methods, business policies, procedures, techniques, research or development projects or results, trade secrets or other knowledge or processes of a proprietary nature belonging to, or developed by, the Company or any other confidential information relating to or dealing with the business operations or activities of the Company or any affiliate or subsidiary of the Company, made known to Rogers or learned or acquired by Rogers while in the employ of the Company.

9.02 Non-Competition. For a period of three years after the termination of his employment with the Company, Rogers shall not become employed by, consult with or otherwise assist in any manner any company (or any affiliate thereof) the primary business of which involves or relates to the sale of pizza in the continental United States.

9.03 Remedies. Rogers acknowledges that the restrictions contained in the foregoing Paragraphs 9.01 and 9.02 (the "Restrictions"), in view of the nature of the business in which the Company and its affiliates and subsidiaries are engaged, are reasonable and necessary in order to protect the legitimate interests of the Company and its affiliates and subsidiaries, and that any violation thereof would result in irreparable injury to the Company, and Rogers therefore further acknowledges that, in the event Rogers violates, or threatens to violate, any such Restrictions, the Company and its affiliates and subsidiaries shall be entitled to obtain from any court of competent jurisdiction, without the posting of any bond or other security, preliminary and permanent injunctive relief as well as damages and an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights shall be cumulative and in addition to any other rights or remedies in law or equity to which the Company or any affiliate or subsidiary of the Company may be entitled.

9.04 Invalid Provisions. If any Restriction, or any part thereof, is determined in any judicial or administrative proceeding to be invalid or unenforceable, the remainder of the Restrictions shall not thereby be affected and shall be given full effect, without regard to the invalid provisions.

9.05 Judicial Reformation. If the period of time or the area specified in the Restrictions should be adjudged unreasonable in any judicial or administrative proceeding, then the court or administrative body shall have the power to reduce the period of time or the area covered and, in its reduced form, such provision shall then be enforceable and shall be enforced.

9.06 Tolling. If Rogers violates any of the Restrictions, the restrictive period shall not run in favor of Rogers from the time of the commencement of any such violation until such time as such violation shall be cured by Rogers to the satisfaction of the Company.

ARTICLE X

PROPRIETARY INFORMATION

10.01 Disclosure of Information. It is recognized that Rogers will have access to certain confidential information of the Company and its affiliates and subsidiaries, and that such information constitutes valuable, special and unique property of the Company and its affiliates and subsidiaries. Rogers shall not at any time disclose any such confidential information to any party for any reason or purpose except as may be made in the normal course of business of the Company or its affiliates and subsidiaries and for the Company's or its affiliates' or subsidiaries' benefits.

10.02 Return of Information. All advertising, sales and other materials or articles of information, including without limitation data processing reports, invoices, or any other materials or data of any kind furnished to Rogers by the Company or developed by Rogers on behalf of the Company or at the Company's direction or for the Company's use or otherwise in connection with Rogers' employment hereunder, are and shall remain the sole and confidential property of the Company; if the Company requests the return of such materials at any time during, upon or after the termination of Rogers' employment, Rogers shall immediately deliver the same to the Company.

ARTICLE XI

ARBITRATION

11.01 Any controversy or claim arising out of or relating to this Agreement or the breach thereof of Rogers' employment relationship with the Company shall be settled by arbitration in the City of Dallas in accordance with the laws of the State of Texas by three arbitrators, one of whom shall be appointed by the Company, one by Rogers, and the third of whom shall be appointed by the first two arbitrators. If the first two arbitrators cannot agree on the appointment of a third arbitrator, then the third arbitrator shall be appointed by the Chief Judge of the United States Court of Appeals for the Fifth Circuit. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Article XI. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction.

ARTICLE XII

MISCELLANEOUS

12.01 Notices. Any notices to be given hereunder by either party to the other shall be in writing and may be effected either by personal delivery or by mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to the parties at the following addresses:

If to Company: Pizza Inn, Inc.
 5050 Quorum Drive
 Suite 500
 Dallas, Texas 75240
 Attn: Chairman of the Board

If to Rogers: C. Jeffrey Rogers
 5050 Quorum Drive
 Suite 500
 Dallas, Texas 75240

Any party may change his or its address by written notice in accordance with this Paragraph 12.01. Notices delivered personally shall be deemed communicated as of actual receipt; mailed notices shall be deemed communicated

as of three days after proper mailing.

12.02 Entire Agreement. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the employment of Rogers by the Company, including, but without limitation, the Employment Agreement, and contains all of the covenants and agreements between the parties with respect to such employment in any manner whatsoever.

12.03 Law Governing Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas and all obligations shall be performable in Dallas County, Texas.

12.04 Waivers. No term or condition of this Agreement shall be deemed to have been waived nor shall there be any estoppel to enforce any of the terms or provisions of this Agreement except by written instrument of the party charged with such waiver or estoppel, and, if the Company is the waiving party, such waiver must be approved by the Board of Directors. Further, it is agreed that no waiver at any time of any of the terms or provisions of this Agreement shall be construed as a waiver of any of the other terms or provisions of this Agreement, and that a waiver at any time of any of the terms or provisions of this Agreement shall not be construed as a waiver at any subsequent time of the same terms or provisions.

12.05 Amendments. No amendment or modification of this Agreement shall be deemed effective unless and until executed in writing by all of the parties hereto and approved by the Board of Directors.

12.06 Severability and Limitation. All agreements and covenants contained herein are severable and in the event any of them shall be held to be invalid by any competent court, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein. Should any court or other legally constituted authority determine that for any such agreement or covenant to be effective that it must be modified to limit its duration or scope, the parties hereto shall consider such agreement or covenant to be amended or modified with respect to duration and scope so as to comply with the orders of any such court or other legally constituted authority, and, as to all other portions of such agreements or covenants, they shall remain in full force and effect as originally written.

12.07 Headings. All headings set forth in this Agreement are intended for convenience only and shall not control or affect the meaning, construction or effect of this Agreement or of any of the provisions thereof.

12.08 Assignment. Rogers agrees that his representations, warranties, covenants, promises and obligations contained herein may be assigned by the Company to any person, partnership, firm, association, corporation or other business entity to which the Company may transfer all or substantially all of its business or assets.

12.09 Survival. Articles VI, IX and XI shall survive the termination of this Agreement.

EXECUTED as of the date and year first above written.

PIZZA INN, INC.

By: /s/Ronald W. Parker
Name: Ronald W. Parker
Title: Chief Operating Officer

/s/C. Jeffrey Rogers

EXECUTIVE COMPENSATION AGREEMENT

THIS EXECUTIVE COMPENSATION AGREEMENT ("Agreement"), executed on October 23, 1997, is made and entered into and executed effective the 1st day of July, 1997, by and between Ronald W. Parker (hereinafter referred to as "Executive") and Pizza Inn, Inc. (hereinafter referred to as the "Company").

W I T N E S S E T H:

WHEREAS, the Company currently employs Executive as its Executive Vice President and Chief Operating Officer, and the Company and Executive desire to continue and extend such employment on the terms and conditions set forth;

NOW THEREFORE, for and in consideration of the premises and the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Executive hereby agree as follows:

ARTICLE I

COMPENSATION

1.01 During the period of employment of Executive by the Company, the Board of Directors of the Company (the "Board") or the Compensation Committee or Stock Award Plan Committee thereof shall determine, based on the recommendations of the Company's Chief Executive Officer from time to time, the compensation of Executive, including salary, bonus, grants of stock options, and other benefits; provided, however, that Executive shall receive an annual salary, bonus and all other benefits not less than his then current annual salary, bonus and all other benefits including such increases as the Board or the Compensation Committee approve from time to time.

ARTICLE II

TERMINATION OF EMPLOYMENT

TERMINATION BY THE COMPANY FOR CAUSE

2.01 In addition to any other remedies which the Company may have at law or in equity, the Company may at any time terminate Executive's employment for Cause. The Company shall provide at least ten (10) days prior written notice to Executive of its intention to discharge Executive for Cause, and such notice must specify in detail the nature of the Cause alleged and provide Executive an opportunity to be heard by the Board prior to the expiration of such ten-day period. "Cause" shall mean the occurrence of any of the following events:

(a) Executive willfully engages in an act of dishonesty (including, but not limited to, conviction of a felony) which act in and of itself materially injures or damages the Company; or

(b) Executive willfully fails to substantially perform his duties within fifteen (15) days after written demand for substantial performance is delivered to Executive by the Board, which demand specifically identifies the manner in which the Board believes that Executive has not substantially performed his duties.

TERMINATION BY EXECUTIVE IN WINDOW PERIOD

2.02 Executive's employment may be terminated by Executive with or without any reason at any time within six months after a Change of Control (the "Window Period") by giving the Company at least ten days prior written notice of such termination. "Change of Control" shall mean any of the following: (a) all or substantially all of the assets of the Company are sold, leased, exchanged or otherwise transferred to any person or entity or group of persons or entities acting in concert as a partnership, limited partnership, syndicate or other group (a "Group of Persons") other than a person or entity or Group of Persons at least 50% of the combined voting power of which is held by Executive; or (b) the Company is merged or consolidated with or into another corporation with the effect that the then existing stockholders of the Company hold less than 50% of the combined voting power of

the then outstanding securities of the surviving corporation of such merger or the corporation resulting from such consolidation ordinarily (and apart from rights accruing under special circumstances) having the right to vote in the election of directors; or (c) a person or entity or Group of Persons (other than (i) the Company or (ii) an employee benefit plan sponsored by the Company) shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, have become the beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934) of securities of the Company representing 50% or more of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from rights accruing under special circumstances) having the right to vote in the election of directors; or (d) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Securities Exchange Act of 1934) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

TERMINATION BY EXECUTIVE FOR GOOD REASON

2.03 Executive may terminate his employment for good reason within twelve months following a Change of Control (the "Good Reason Period"). For purposes of this Agreement, "good reason" shall mean, without the Executive's express written consent, that, following a Change of Control, (i) Executive is required to relocate, (ii) Executive is assigned a diminished position or diminished responsibilities with the Company, or (iii) Executive's annual base salary or benefits, as the same may be increased from time to time, are reduced.

NOTICE AND DATE OF TERMINATION

2.04 Any termination by the Company or by Executive shall be communicated by written notice. "Date of Termination" means (i) if Executive's employment is terminated by the Company for Cause or by Executive, the date of receipt of the notice of termination or any later date specified therein, as the case may be, or (ii) if Executive's employment is terminated by the Company other than for Cause, the Date of Termination shall be the date on which the Company notifies Executive of such termination.

ARTICLE III

OBLIGATIONS OF THE COMPANY UPON TERMINATION

WINDOW PERIOD; OTHER THAN FOR CAUSE

3.01 If the Company terminates Executive's employment other than for Cause or Executive terminates employment during the Window Period or Executive terminates his employment for good reason during the Good Reason period, the Company shall pay to Executive in a lump sum in cash within thirty (30) days after the Date of Termination an amount equal to: (a) three (3) multiplied by (b) the sum of (i) Executive's then current annual salary (provided that such salary shall be deemed to be no lower than Executive's highest salary during any one of the immediately preceding three fiscal years) plus (ii) the highest amount of bonus and any other cash compensation (except salary) received by Executive during any one of the immediately preceding three (3) fiscal years.

OUTSIDE THE WINDOW PERIOD; FOR CAUSE

3.02 If (a) Executive terminates employment outside of the Window Period without good reason, (b) Executive's employment is terminated by the Company for Cause, (c) Executive terminates his employment outside the Good Reason Period, or (d) Executive's employment is terminated due to death or disability (as defined in the Company's long-term disability plan), this Agreement shall terminate without further obligations to Executive other than the obligation to pay to Executive, within thirty (30) days of the Date of Termination, salary plus accrued bonus and other benefits due Executive through the Date of Termination and the amount of any compensation previously deferred by Executive, in each case to the extent theretofore unpaid.

NOT A PENALTY OR FORFEITURE

3.03 The parties hereto acknowledge and agree that any payment under this Agreement is not a penalty or a forfeiture; rather, the amount specified is a reasonable and fair reflection of damages that Executive may incur in the event of Executive's termination.

TAX LIMITATION

3.04(a) If any payment received or to be received by Executive in connection with a Change in Control of the Company or termination of Executive's employment (whether payable pursuant to the terms of this Agreement or any other plan, arrangement, or agreement with the Company, any person whose actions result in a Change in Control of the Company, or any person affiliated with the Company or such person (the "Total Payments")), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, the Company will pay to Executive, within 30 days of any payments giving rise to excise tax, an additional amount (the "gross-up payment") such that the net amount retained or to be retained by Executive, after deduction of any excise tax on the total payments and any federal and state and local income tax and excise tax on the gross-up payment provided for by this section, will equal the total payments.

3.04(b) For purposes of determining the amount of the gross-up payment, Executive will be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year that the payment is to be made, and state and local income taxes at the highest marginal rate of taxation in the state and locality of the executive's residence on the date of termination or the date that excise tax is withheld by the Company, net of the maximum reduction in federal income taxes that could be obtained by deducting such state and local taxes.

3.04(c) For purposes of determining whether any of the total payments would not be deductible by the Company and would be subject to the excise tax, and the amount of such excise tax, (i) total payments will be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Internal Revenue Code, and all parachute payments in excess of the base amount within the meaning of Section 280G(b)(3) will be treated as subject to the excise tax unless, in the opinion of tax counsel selected by the Company's independent auditors and acceptable to Executive such total payments (in whole or in part) are not parachute payments, or such parachute payments in excess of the base amount (in whole or in part) are otherwise not subject to the excise tax, and (ii) the value of any non-cash benefits or any deferred payment or benefit will be determined by the Company's independent auditors in accordance with Sections 280G(d)(3) and (4) of the Internal Revenue Code.

ARTICLE IV

TERM

4.01 The term (the "Term") of this Agreement shall commence on the date of this Agreement as set forth above (the "Effective Date") and shall continue through June 30, 2002. During each fiscal year of the Company, beginning with the fiscal year ending in June, 1998, the Board may extend the Term by an additional year, by adopting an appropriate resolution which expressly extends the Term for such additional year but without the need to execute an amendment to this Agreement.

ARTICLE V

NONCOMPETE, ETC.

TRADE SECRETS AND NONCOMPETITION

5.01(a) Trade Secrets. During his employment by the Company and at all times thereafter, Executive shall not use for his personal benefit, or disclose, communicate or divulge to, or use for the direct or indirect benefit of any person, firm, association or company other than the Company or any affiliate or subsidiary of the Company, any material referred to in Paragraph 5.02(a) or (b) or any information regarding the business methods, business policies, procedures, techniques, research or development projects or results, trade secrets or other knowledge or processes of a proprietary nature belonging to, or developed by, the Company or any other confidential information relating to or dealing with the business operations or activities of the Company or any affiliate or subsidiary of the Company, made known to Executive or learned or acquired by Executive while in the employ of the Company.

5.01(b) Non-Competition. In the event that Executive receives payment from the Company pursuant to Paragraph 3.01 of this Agreement,

Executive shall not become employed by, consult with or otherwise assist in any manner any company (or any affiliate thereof) the primary business of which involves or relates to the sale of pizza in the continental United States for a period of years equal to the number by which Executive's annual salary and bonus is multiplied pursuant to Paragraph 3.01(a).

5.01(c) Remedies. Executive acknowledges that the restrictions contained in the foregoing Paragraphs 5.01(a) and (b) (the "Restrictions"), in view of the nature of the business in which the Company and its affiliates and subsidiaries are engaged, are reasonable and necessary in order to protect the legitimate interests of the Company and its affiliates and subsidiaries, and that any violation thereof would result in irreparable injury to the Company, and Executive therefore further acknowledges that, in the event Executive violates, or threatens to violate, any such Restrictions, the Company and its affiliates and subsidiaries shall be entitled to obtain from any court of competent jurisdiction, without the posting of any bond or other security, preliminary and permanent injunctive relief as well as damages and an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights shall be cumulative and in addition to any other rights or remedies in law or equity to which the Company or any affiliate or subsidiary of the Company may be entitled.

5.01(d) Invalid Provisions. If any Restriction, or any part thereof, is determined in any judicial or administrative proceeding to be invalid or unenforceable, the remainder of the Restrictions shall not thereby be affected and shall be given full effect, without regard to the invalid provisions.

5.01(e) Judicial Reformation. If the period of time or the area specified in the Restrictions should be adjudged unreasonable in any judicial or administrative proceeding, then the court or administrative body shall have the power to reduce the period of time or the area covered and, in its reduced form, such provision shall then be enforceable and shall be enforced.

5.01(f) Tolling. If Executive violates any of the Restrictions, the restrictive period shall not run in favor of Executive from the time of the commencement of any such violation until such time as such violation shall be cured by Executive to the satisfaction of the Company.

PROPRIETARY INFORMATION

5.02(a) Disclosure of Information. It is recognized that Executive will have access to certain confidential information of the Company and its affiliates and subsidiaries, and that such information constitutes valuable, special and unique property of the Company and its affiliates and subsidiaries. Executive shall not at any time disclose any such confidential information to any party for any reason or purpose except as may be made in the normal course of business of the Company or its affiliates and subsidiaries and for the Company's or its affiliates' or subsidiaries' benefits.

5.02(b) Return of Information. All advertising, sales and other materials or articles of information, including without limitation data processing reports, invoices, or any other materials or data of any kind furnished to Executive by the Company or developed by Executive on behalf of the Company or at the Company's direction or for the Company's use or otherwise in connection with Executive's employment hereunder, are and shall remain the sole and confidential property of the Company; if the Company requests the return of such materials at any time during, upon or after the termination of Executive's employment, Executive shall immediately deliver the same to the Company.

ARTICLE VI

TITLE AND AUTHORITY

6.01 In performing such duties hereunder, Executive shall give the Company the benefit of his special knowledge, skills, contacts and business experience and shall devote substantially all of his business time, attention, ability and energy exclusively to the business of the Company. It is agreed that Executive may have other business investments and participate in other business ventures which may, from time to time, require minor portions of his time, but which shall not interfere or be inconsistent with his duties hereunder.

ARTICLE VII

ARBITRATION

7.01 Any controversy or claim arising out of or relating to this

Agreement or the breach thereof of Executive's employment relationship with the Company shall be settled by arbitration in the City of Dallas in accordance with the laws of the State of Texas by three arbitrators, one of whom shall be appointed by the Company, one by Executive, and the third of whom shall be appointed by the first two arbitrators. If the first two arbitrators cannot agree on the appointment of a third arbitrator, then the third arbitrator shall be appointed by the Chief Judge of the United States Court of Appeals for the Fifth Circuit. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Article VII. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction.

ARTICLE VIII

MISCELLANEOUS

NOTICES

8.01 Any notices to be given hereunder by either party to the other shall be in writing and may be effected either by personal delivery or by mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to the parties at the following addresses:

If to Company: Pizza Inn, Inc.
5050 Quorum Drive
Suite 500
Dallas, Texas 75240
Attn: Chairman of the Board

If to Executive: Ronald W. Parker
5050 Quorum Drive
Suite 500
Dallas, Texas 75240

Any party may change his or its address by written notice in accordance with this Paragraph 8.01. Notice delivered personally shall be deemed communicated as of actual receipt; mailed notices shall be deemed communicated as of three days after proper mailing.

INCLUSION OF ENTIRE AGREEMENT HEREIN

8.02 This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the employment of Executive by the Company upon a Change of Control and contains all of the covenants and agreements between the parties with respect thereto. This Agreement does not deal with compensation or any other employment terms of Executive prior to a Change of Control, except as specifically provided herein for termination and in Section 1.01, and does not impact additional benefits to which Executive may be entitled upon termination pursuant to Company benefit plans or by other written or oral agreement.

LAW GOVERNING AGREEMENT

8.03 This Agreement shall be governed by and construed in accordance with the laws of the State of Texas and all obligations shall be performable in Dallas County, Texas.

WAIVERS

8.04 No term or condition of this Agreement shall be deemed to have been waived nor shall there be any estoppel to enforce any of the terms or provisions of this Agreement except by written instrument of the party charged with such waiver or estoppel, and, if the Company is the waiving party, such waiver must be approved by the Board. Further, it is agreed that no waiver at any time of any of the terms or provisions of this Agreement shall be construed as a waiver of any of the other terms or provisions of this Agreement, and that a waiver at any time of any of the terms or provisions of this Agreement shall not be construed as a waiver at any subsequent time of the same terms or provisions.

AMENDMENTS

8.05 No amendment or modification of this Agreement shall be deemed effective unless and until executed in writing by all of the parties hereto and approved by the Board.

SEVERABILITY AND LIMITATION

8.06 All agreements and covenants contained herein are severable and in the event any of them shall be held to be invalid by any competent court, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein. Should any court or other legally constituted authority determine that for any such agreement or covenant to be effective that it must be modified to limit its duration or scope, the parties hereto shall consider such agreement or covenant to be amended or modified with respect to duration and scope so as to comply with the orders of any such court or other legally constituted authority, and, as to all other portions of such agreements or covenants, they shall remain in full force and effect as originally written.

HEADINGS

8.07 All headings set forth in this Agreement are intended for convenience only and shall not control or affect the meaning, construction or effect of this Agreement or of any of the provisions thereof.

SURVIVAL

8.08 Articles III, V and VII shall survive termination of this Agreement.

EXECUTED as of the date and year first above written.

PIZZA INN, INC.

By: /s/C. Jeffrey Rogers
Name: C. Jeffrey Rogers
Title: Chief Executive Officer

/s/Ronald W. Parker
Ronald W. Parker