

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) JANUARY 27, 2006

PIZZA INN, INC.
(Exact name of registrant as specified in its charter)

MISSOURI 0-12919 47-0654575
(State or other jurisdiction of incorporation) (Commission File Number) (IRS
Employer Identification No.)

3551 PLANO PARKWAY, THE COLONY, TEXAS 75056
(Address of principal executive offices) (Zip Code)

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

NOT APPLICABLE
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 7.01 REGULATION FD DISCLOSURE.

Pizza Inn, Inc. elects to disclose the information in the press release furnished as Exhibit 99.1 to this report and incorporated herein by reference through Form 8-K pursuant to Regulation FD.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(C) EXHIBITS.

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
99.1	Press Release dated January 27, 2006 (furnished herewith and incorporated herein by reference)

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 hereunto duly authorized.

Pizza Inn, Inc.

Date: January 30, 2006

By: /s/Rod J. McDonald
Rod J. McDonald, Secretary

P R E S S R E L E A S E

FOR IMMEDIATE RELEASE

PIZZA INN, INC. REPORTS RESULTS FOR THE
SECOND QUARTER FISCAL YEAR 2006

THE COLONY, TEXAS - January 27, 2006 - PIZZA INN, INC. (NASDAQ:PZZI) today reported a net loss per share for its second quarter ended December 25, 2005 of (\$0.06) versus earnings of \$0.01 per share for the same quarter last year. The quarter resulted in a net loss of (\$601,000) versus net income of \$51,000 for the same quarter last year on revenues of \$12.8 million and \$13.8 million, respectively.

SECOND QUARTER FY 2006 VERSUS SECOND QUARTER FY 2005 RESULTS

- -----
Diluted EPS was (\$0.06) versus \$0.01 on a net loss of (\$601,000) versus net income of \$51,000.

Revenues decreased approximately 7%, or \$1,016,000, primarily due to lower comparable chainwide retail sales and fewer net stores. The resulting reduction in food and supply sales and royalties were offset partially by equipment sales, which were higher by \$248,000 and company-owned restaurant sales, which were higher by \$96,000.

Comparable chainwide retail sales were down 1.8%.

Legal fees increased approximately \$208,000 as the result of ongoing litigation and related matters.

Energy costs increased approximately \$168,000.

General and administrative expenses included non-cash executive stock compensation expense of \$94,000 for approximately 560,000 stock option rights granted previously. The prior year did not include any non-cash compensation expense.

Preopening expenses for three new company-owned stores were \$124,000.

The Company's President and CEO, Tim Taft, commented, "To successfully accomplish the Pizza Inn turnaround, our focus remains on the fundamentals of the business. We continue to make significant progress in the areas of new franchisee selection, existing franchisee evaluation, new store development and improved unit-level profitability. Additionally, our 2006 marketing plan is taking an entirely new approach to improving comparable store sales by focusing on the brand's competitive strengths. Much is being accomplished at Pizza Inn; however, much work remains."

Certain statements in this press release, other than historical information, may be considered forward-looking statements, within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, and are subject to various risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ from those anticipated, estimated or expected. Among the key factors that may have a direct bearing on Pizza Inn's operating results, performance or financial condition are its ability to implement its growth strategies, national, regional and local economic conditions affecting the restaurant/entertainment industry, competition within each of the restaurant and entertainment industries, store sales cannibalization, success of its franchise operations, negative publicity, fluctuations in quarterly results of operations, including seasonality, government regulations, weather, commodity, insurance and labor costs.

Pizza Inn, Inc. is headquartered in The Colony, Texas, along with its distribution division, Norco Restaurant Services Company. Pizza Inn franchises approximately 378 restaurants and owns five restaurants with annual chainwide sales of approximately \$155 million.

P R E S S R E L E A S E

Pizza Inn, Inc.
3551 Plano Parkway
The Colony, TX 75056

For more information contact:
Kevin Kleiner
Controller
(469) 384-5203

<TABLE>
<CAPTION>

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

<S>	THREE MONTHS ENDED		SIX MONTHS ENDED	
	<C> DECEMBER 25,	<C> DECEMBER 26,	<C> DECEMBER 25,	<C> DECEMBER 26,
	2005	2004	2005	2004
REVENUES:				
2004				
--				
Food and supply sales.	\$ 11,215	\$ 12,301	\$ 22,523	\$
25,123				
Franchise revenue.	1,199	1,225	2,379	
2,565				
Restaurant sales	339	243	557	
498				
--				
	12,753	13,769	25,459	
28,186				
--				
COSTS AND EXPENSES:				
Cost of sales.	11,094	11,690	22,226	
23,883				
Franchise expenses	793	697	1,601	
1,322				
General and administrative expenses.	1,547	1,165	3,098	
2,187				
--				
	13,434	13,552	26,925	
27,392				
--				
OPERATING (LOSS) INCOME.	(681)	217	(1,466)	
794				
Gain on sale of asset.	-	-	147	
-				
Interest expense	(199)	(138)	(368)	
(274)				
--				
(LOSS) INCOME BEFORE				
INCOME TAXES	(880)	79	(1,687)	
520				
Provision for income taxes	(279)	28	(596)	
184				
--				
NET (LOSS) INCOME.	\$ (601)	\$ 51	\$ (1,091)	\$
336				
=====				
BASIC (LOSS) EARNINGS PER COMMON SHARE	\$ (0.06)	\$ 0.01	\$ (0.11)	\$
0.03				
=====				
DILUTED (LOSS) EARNINGS PER COMMON SHARE	\$ (0.06)	\$ 0.01	\$ (0.11)	\$
0.03				
=====				
WEIGHTED AVERAGE COMMON SHARES	10,108	10,104	10,108	
10,119				
=====				
WEIGHTED AVERAGE COMMON AND				
POTENTIAL DILUTIVE COMMON SHARES	10,153	10,141	10,151	
10,155				
=====				

=====

</TABLE>

<TABLE>

<CAPTION>

PIZZA INN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<S>

<C>

<C>

	DECEMBER 25, 2005	JUNE 26, 2005
	(unaudited)	
ASSETS.		
CURRENT ASSETS		
Cash and cash equivalents	\$ 184	\$ 173
Accounts receivable, less allowance for doubtful accounts of \$232 and \$360, respectively	3,265	3,419
Accounts receivable - related parties	559	622
Notes receivable, current portion, less allowance for doubtful accounts of \$0 and \$11, respectively	3	-
Inventories	2,342	1,918
Property held for sale.	-	301
Deferred tax assets, net.	759	193
Prepaid expenses and other.	299	355
	-----	-----
Total current assets.	7,411	6,981
LONG-TERM ASSETS		
Property, plant and equipment, net.	12,878	12,148
Property under capital leases, net.	9	12
Long-term receivable.	10	-
Long-term receivable - related party	304	314
Goodwill.	157	-
Reacquired development territory.	527	623
Deposits and other.	201	177
	-----	-----
	\$ 21,497	\$ 20,255
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade.	\$ 2,607	\$ 1,962
Accrued expenses.	1,676	1,374
Current portion of long-term debt	8,881	406
Current portion of capital lease obligations.	11	11
	-----	-----
Total current liabilities	13,175	3,753
LONG-TERM LIABILITIES		
Long-term debt.	-	7,297
Long-term capital lease obligations	7	13
Deferred tax liability, net	26	3
Other long-term liabilities	153	283
	-----	-----
	13,361	11,349
	-----	-----
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common Stock, \$.01 par value; authorized 26,000,000 shares; issued 15,060,319 and 15,046,319 shares, respectively; outstanding 10,108,494 and 10,094,494 shares, respectively.	151	150
Additional paid-in capital.	8,223	8,005
Retained earnings	19,491	20,582
Accumulated other comprehensive loss.	(85)	(187)
Treasury stock at cost		
Shares in treasury: 4,951,825 and 4,951,825, respectively	(19,644)	(19,644)
	-----	-----
Total shareholders' equity.	8,136	8,906
	-----	-----
	\$ 21,497	\$ 20,255
	=====	=====

</TABLE>

<TABLE>

<CAPTION>

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

<S>	SIX MONTHS ENDED	
	DECEMBER 25,	DECEMBER 26,
	<C> 2005	<C> 2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S>	<C>	<C>
Net (loss) income.	\$ (1,091)	\$ 336
Adjustments to reconcile net (loss) income to cash (used for) provided by operating activities:		
Depreciation and amortization.	568	579
Gain on property held for sale	(157)	-
Recovery of bad debt, net.	-	30
Utilization of deferred taxes.	-	(52)
Stock compensation expense	197	-
Deferred rent.	31	-
Changes in assets and liabilities:		
Notes and accounts receivable.	195	(134)
Inventories.	(425)	(202)
Accounts payable - trade	645	156
Accrued expenses	(385)	(342)
Prepaid expenses and other	80	101
CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	(342)	472
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	474	-
Capital expenditures	(1,315)	(354)
CASH USED FOR INVESTING ACTIVITIES	(841)	(354)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term bank debt and capital lease obligations.	(209)	(438)
Borrowings of bank debt.	1,381	-
Stock buy back	-	(117)
Proceeds from exercise of stock options.	22	10
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	1,194	(545)
Net increase (decrease) in cash and cash equivalents	11	(427)
Cash and cash equivalents, beginning of period	173	617
Cash and cash equivalents, end of period	\$ 184	\$ 190

</TABLE>