

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) MAY 5, 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 May 5, 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: May 8, 2006

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

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

THE COLONY, TEXAS - TBD, 2006 - PIZZA INN, INC. (NASDAQ:PZZI) today reported a net loss per share for its third quarter ended March 26, 2006 of (\$0.05) versus earnings of \$0.00 per share for the same quarter last year. The quarter resulted in a net loss of (\$477,000) versus a net loss of (\$20,000) for the same quarter last year on revenues of \$12.8 million and \$13.4 million, respectively.

THIRD QUARTER FY 2006 VERSUS THIRD QUARTER FY 2005 RESULTS

- - - - -

Diluted EPS was (\$0.05) versus \$0.00 on a net loss of (\$477,000) versus a net loss of (\$20,000) for the same quarter last year.

Same store buffet restaurant sales increased 1.1% for the quarter and same store chainwide retail sales increased 0.4% for the quarter.

- - Total revenues decreased approximately 4%, or \$589,000, primarily due to 2.6% overall lower chainwide retail sales as a result of fewer net stores and lower cheese prices. The resulting reductions in food and supply sales and royalty revenues were partially offset by higher company-owned restaurant sales due to the opening of three new company buffet restaurants in the current fiscal year.

- - Losses for company-owned restaurants increased approximately \$140,000 to (\$238,000).

- - Salaries increased approximately \$134,000 due to increased staffing levels and severance payments made.

- - Energy costs increased approximately \$114,000.

General and administrative expenses included non-cash stock compensation expense of \$88,000 for approximately 560,000 stock option rights granted previously. The prior year did not include any non-cash compensation expense.

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

FOR IMMEDIATE RELEASE

PIZZA INN, INC. REPORTS RESULTS FOR THE
THIRD QUARTER FISCAL YEAR 2006
(CONTINUED)

The Company's President and CEO, Tim Taft, commented, "Following months of research and preparation, we implemented the first phase of our marketing plan in January of this year and are already seeing encouraging results from these efforts. In addition, the renewed trust and confidence our franchise partners have in the brand's new direction is producing positive results. We continue to work together to establish the proper direction for Pizza Inn, one focused on our competitive strengths and advantages. Although sales performance is improving at Pizza Inn, we have not lost sight of our opportunity to improve its operating performance."

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 currently owns four restaurants with annual chainwide sales of approximately \$155 million.

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

(UNAUDITED)

ENDED	THREE MONTHS ENDED		NINE MONTHS	
	-----		-----	
--				
<S>	<C>	<C>	<C>	
<C>				
MARCH 27, REVENUES: 2005	MARCH 26, 2006	MARCH 27, 2005	MARCH 26, 2006	
-----	-----	-----	-----	---
Food and supply sales	\$ 11,131	\$ 11,859	\$ 33,654	\$
36,981				
Franchise revenue	1,200	1,319	3,579	
3,884				
Restaurant sales	512	223	1,069	
721				
-----	-----	-----	-----	---
	12,843	13,401	38,302	
41,586	-----	-----	-----	---

COSTS AND EXPENSES:				
Cost of sales	11,225	11,241	33,451	
35,125				
Franchise expenses	783	723	2,384	
2,044				
General and administrative expenses	1,363	1,311	4,461	
3,497				
-----	-----	-----	-----	---
	13,371	13,275	40,296	
40,666	-----	-----	-----	---

OPERATING (LOSS) INCOME	(528)	126	(1,994)	
920				
Gain on sale of asset	2	-	149	
-				
Interest expense	(211)	(157)	(579)	
(431)				
-----	-----	-----	-----	---
(LOSS) INCOME BEFORE				
INCOME TAXES	(737)	(31)	(2,424)	
489				
Provision for income taxes	(260)	(11)	(856)	
173				
-----	-----	-----	-----	---
NET (LOSS) INCOME	\$ (477)	\$ (20)	\$ (1,568)	\$
316	=====	=====	=====	
=====				
BASIC (LOSS) EARNINGS				
' PER COMMON SHARE	\$ (0.05)	\$ -	\$ (0.15)	\$
0.03	=====	=====	=====	
=====				
DILUTED (LOSS) EARNINGS				
' PER COMMON SHARE	\$ (0.05)	\$ -	\$ (0.15)	\$
0.03	=====	=====	=====	
=====				
WEIGHTED AVERAGE				
' COMMON SHARES	10,138	10,089	10,118	
10,109	=====	=====	=====	
=====				
WEIGHTED AVERAGE COMMON				

AND POTENTIAL DILUTIVE COMMON SHARES	10,188	10,117	10,164
10,142			

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

<S>		<C>		<C>	
		MARCH 26,		JUNE 26,	
		2006		2005	
		-----		-----	
<S>	<C>	<C>		<C>	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		\$	190	\$	173
Accounts receivable,					
less allowance for doubtful					
accounts of \$209 and \$360					
respectively			2,894		3,419
Accounts receivable - related parties			465		622
Notes receivable, current					
portion, less allowance					
for doubtful accounts					
of \$0 and \$11, respectively			63		-
Inventories			1,996		1,918
Property held for sale			-		301
Deferred tax assets, net			1,011		193
Prepaid expenses and other			353		355
			-----		-----
Total current assets			6,972		6,981
LONG-TERM ASSETS					
Property, plant and equipment, net			13,340		12,148
Property under capital leases, net			-		12
Long-term receivable			10		-
Long-term receivable - related party			313		314
Goodwill			153		-
Reacquired development territory			479		623
Deposits and other			196		177
			-----		-----
		\$	21,463	\$	20,255
			=====		=====
LIABILITIES AND					
SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Accounts payable - trade		\$	2,558	\$	1,962
Accrued expenses			1,896		1,374
Current portion of long-term debt			8,648		406
Current portion of capital					
lease obligations			-		11
			-----		-----
Total current liabilities			13,102		3,753
LONG-TERM LIABILITIES					
Long-term debt			-		7,297
Long-term capital					
lease obligations			-		13
Deferred tax liability, net			-		3
Other long-term liabilities			523		283
			-----		-----
			13,625		11,349
			-----		-----
COMMITMENTS AND					
CONTINGENCIES					
SHAREHOLDERS' EQUITY					
Common Stock, \$.01 par value;					
authorized 26,000,000					
shares; issued 15,090,319 and					
15,046,319 shares, respectively;					
outstanding 10,138,494 and					

10,094,494 shares, respectively	151	150
Additional paid-in capital	8,371	8,005
Retained earnings	19,014	20,582
Accumulated other comprehensive loss	(54)	(187)
Treasury stock at cost		
Shares in treasury: 4,951,825		
and 4,951,825, respectively	(19,644)	(19,644)
	-----	-----
Total shareholders' equity	7,838	8,906
	-----	-----
	\$ 21,463	\$ 20,255
	=====	=====

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

<S>	<C>	<C>
	NINE MONTHS ENDED	

	MARCH 26, 2006	MARCH 27, 2005
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (1,568)	\$316
Adjustments to reconcile net (loss) income to cash provided by operating activities:		
Depreciation and amortization	884	861
Gain on property held for sale	(159)	-
Provision for bad debt	100	30
Utilization of deferred taxes	-	(20)
Stock compensation expense	285	-
Deferred rent	32	-
Changes in assets and liabilities:		
Notes and accounts receivable	491	(358)
Inventories	(79)	(435)
Accounts payable - trade	596	786
Accrued expenses	(166)	(711)
Prepaid expenses and other	158	51
	-----	-----
CASH PROVIDED BY OPERATING ACTIVITIES	574	520
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	589	-
Capital expenditures	(2,165)	(721)
	-----	-----
CASH USED FOR INVESTING ACTIVITIES	(1,576)	(721)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term bank debt and capital lease obligations	(110)	(102)
Borrowings of bank debt	1,047	-
Stock repurchase	-	(160)
Proceeds from exercise of stock options	82	16
	-----	-----
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	1,019	(246)
	-----	-----
Net increase (decrease) in cash and cash equivalents	17	(447)
Cash and cash equivalents, beginning of period	173	617
	-----	-----
Cash and cash equivalents, end of period	\$ 190	\$ 170
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