SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

X Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended SEPTEMBER 29, 1996.

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 incorporation or organization)	(I.R.S. Employer 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

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 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 x No

At September 29, 1996, an aggregate of 12,997,152 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)

<TABLE>

<CAPTION>

	Three Months Ended	
	September 29, 1996	September 24, 1995
<S>	<C>	<C>
REVENUES:		
Food and supply sales	$ 15,421	$ 13,575
Franchise revenue	1,600	1,783
Restaurant sales	685	725
Other income	28	69
	17,734	16,152
COSTS AND EXPENSES:		
Cost of sales	13,966	12,671
Franchise expenses	742	701
General and administrative expenses	1,325	1,313
Interest expense	192	265
	16,225	14,950
INCOME BEFORE INCOME TAXES	1,509	1,202
Provision for income taxes	513	409
NET INCOME	$ 996	$ 793
NET INCOME PER COMMON SHARE	$ 0.07	$ 0.06

<FN>

See accompanying Notes to Condensed Consolidated Financial Statements
</TABLE>

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

<TABLE>

<CAPTION>

	September 29, 1996	June 30, 1996
	(Unaudited)	
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 650	$ 653
Restricted cash and short-term investments, (including $0 and $230, respectively, pledged as collateral for certain letters of credit)	210	360
Notes and accounts receivable, less allowance for doubtful accounts of $907 and $900, respectively	6,755	6,652
Inventories	2,148	1,919
Prepaid expenses and other	548	466
Net assets held for sale	65	70
	10,376	10,120
Total current assets		

PROPERTY, PLANT AND EQUIPMENT, net	1,828	1,866
PROPERTY UNDER CAPITAL LEASES, net	1,063	1,107
DEFERRED TAXES, net	10,204	10,687
OTHER ASSETS		
Long-term notes and accounts receivable, less allowance for doubtful accounts of $59 and $63, respectively	316	149
Deposits and other	464	490
	$ 24,251	$ 24,419
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 2,000	$ 2,000
Current portion of capital lease obligations	109	109
Accounts payable - trade	1,363	2,331
Accrued expenses	3,388	3,158
Total current liabilities	6,860	7,598
LONG-TERM LIABILITIES		
Long-term debt	6,410	6,910
Long-term capital lease obligations	966	992
Other long-term liabilities	794	813
SHAREHOLDERS' EQUITY		
Common Stock, $.01 par value; 26,000,000 shares authorized; outstanding 12,997,152 and 12,876,801 shares, respectively (after deducting shares in treasury: September - 1,368,716; June - 1,360,567)	130	129
Additional paid-in capital	3,843	3,684
Retained earnings	5,248	4,293
Total shareholders' equity	9,221	8,106
	$ 24,251	$ 24,419

<FN>

See accompanying Notes to Condensed Consolidated Financial Statements
</TABLE>

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

<TABLE>

<CAPTION>

	Three Months Ended	
	September 29, 1996	September 24, 1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 996	$ 793
Add non-cash items	656	531
Changes in assets and liabilities:		
Accounts and notes receivable	(270)	(1,195)
Inventories	(229)	(158)
Accounts payable - trade	(968)	831
Accrued expenses	211	630
Other - net	55	89
Cash provided by operating activities	451	1,521
CASH FLOWS FROM INVESTING ACTIVITIES:		

Purchase of property, plant and equipment	(73)	(133)
Proceeds from sales of assets	-	83
Cash used for investing activities	(73)	(50)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt and capital lease obligations	(500)	(1,121)
Proceeds from exercise of stock options	162	208
Purchases of treasury stock	(43)	(778)
Cash used for financing activities	(381)	(1,691)
Net decrease in cash and cash equivalents	(3)	(220)
Cash and cash equivalents, beginning of period	653	1,672
Cash and cash equivalents, end of period	$ 650	$ 1,452

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAYMENTS FOR:		
Interest	$ 141	$ 274
Income taxes	-	-

See accompanying Notes to Condensed Consolidated Financial Statements
</TABLE>

PIZZA INN, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(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 30, 1996.

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 29, 1996 and September 24, 1995, common stock equivalents were 798,795 and 705,701, respectively, and the total weighted average number of shares considered to be outstanding were 13,721,024 and 14,149,231, respectively.

(3) In July 1996, in order to reduce future administrative costs related to small shareholder accounts, the Company implemented an odd lot buy-back program to purchase its own common stock for $5.25 per share from shareholders who own less than 100 shares. During the three months ended September 29, 1996, the Company purchased 8,149 shares under this program.

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

Quarter ended September 29, 1996 compared to the quarter ended September 24, 1995.

Net income for the current quarter increased 26% to $996,000 or $0.07 per share, from $793,000 or $0.06 per share for the same quarter last year. Revenues rose 10% to $17.7 million from $16.2 million last year.

Food and supply sales from the Company's distribution division increased 14% in the current year. The increase is due to growth in chainwide domestic retail sales, as well as increased market share on sales of non-proprietary food and equipment to both international and domestic franchisees. Increases in the market price of certain commodities also contributed to the sales increase.

Franchise revenue, which includes income from royalties, license fees and area development ("A.D.") sales, decreased 10% compared to the prior year quarter. This was primarily due to lower income recognized from A.D. sales in the current year. The timing and amount of proceeds from A.D. sales may vary significantly from year to year. Current year sales include partial recognition of proceeds from the sale of area development rights for Korea.

Restaurant sales, which are comprised of sales from Company operated units, decreased 6% compared to the same quarter last year. This is primarily the result of the closing during fiscal 1996 of one of the units that was not required for training or other purposes.

Other income consists primarily of interest and non-recurring revenue items. The current year includes less interest on long-term notes receivable because of lower balances in asset purchase notes.

Cost of sales increased 10% for the quarter as a result of the growth in food and supply sales to the Company's franchisees. As a percentage of food and supply sales, the cost of sales is slightly lower during the current quarter, as a result of cost efficiencies achieved through fleet modernization and routing efficiencies, increased labor productivity and improved buying power through volume purchasing. Variations in the seasonal cost patterns of key commodities from year to year have also impacted the comparable cost of sales percentages.

Franchise expenses increased 6% compared to the same quarter last year, reflecting increases in expenditures for sales, training and field service personnel.

General and administrative expenses increased less than 1% during the quarter, as the Company continues to hold down costs not directly related to the franchise and distribution areas of the business.

Interest expense decreased 28% in the current quarter as a result of lower average debt balances and lower interest rates.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations totaled $451,000 for the first quarter of fiscal 1997, 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 $500,000 scheduled principal payment during the quarter.

In September 1996, the Company signed an agreement for the sale of exclusive operating and franchising rights in Korea, for a total cash price of $800,000 ($687,000 net of certain expenses). This agreement, along with other area development 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.

The Company continues to realize substantial benefit from the utilization of its net operating loss carryforwards 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 ($10.2 million as of September 29, 1996). Taxable income in future years at the same level as fiscal 1996 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, deductions for accrued expenses and deferred revenues, as well as permanent differences as a result of goodwill amortization deducted for financial reporting purposes but not for income tax purposes.

The following summarizes, as of September 29, 1996, the annual amounts of net operating loss carryforwards for income tax purposes that expire by year:

Net Operating Loss Carryforwards (In Thousands)	Expires in Year
$800	2004
24,600	2005
$25,400	

"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

There are no exhibits filed with this report. No reports on Form 8-K were filed in the quarter for which this report is filed.

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, 1996

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