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

5050 QUORUM DRIVE
SUITE 500
DALLAS, TEXAS 75240
(Address of principal executive offices, including 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 December 29, 1996, an aggregate of 12,923,752 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>

<S>	Three Months Ended December 29, 1996 <C>	Three Months Ended December 24, 1995 <C>	Six Months Ended December 29, 1996 <C>	Six Months Ended December 24, 1995 <C>
REVENUES:				
Food and supply sales	$ 15,146	$ 14,207	$ 30,567	$ 27,782
Franchise revenue	1,739	1,839	3,339	3,622
Restaurant sales	645	753	1,330	1,478
Other income	29	95	57	164
	17,559	16,894	35,293	33,046
COSTS AND EXPENSES:				
Cost of sales	13,714	13,202	27,680	25,873
Franchise expenses	680	685	1,422	1,386
General and administrative expenses	1,232	1,312	2,557	2,625
Interest expense	168	218	360	483
	15,794	15,417	32,019	30,367
INCOME BEFORE INCOME TAXES	1,765	1,477	3,274	2,679
Provision for income taxes	600	502	1,113	911
NET INCOME	$ 1,165	$ 975	$ 2,161	$ 1,768
NET INCOME PER COMMON SHARE	$ 0.08	$ 0.07	$ 0.16	$ 0.13

<FN>

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

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

<TABLE>
<CAPTION>

<S>	December 29, 1996 (Unaudited) <C>	June 30, 1996 <C>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 532	$ 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 $883 and $900, respectively	8,373	6,652
Inventories	1,805	1,919
Prepaid expenses and other	457	466
Net assets held for sale	65	70

Total current assets	11,442	10,120
PROPERTY, PLANT AND EQUIPMENT, net	1,846	1,866
PROPERTY UNDER CAPITAL LEASES, net	1,020	1,107
DEFERRED TAXES, net	9,639	10,687
OTHER ASSETS		
Long-term notes and accounts receivable, less allowance for doubtful accounts of $79 and $63, respectively	289	149
Deposits and other	436	490
	$ 24,672	$ 24,419
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 2,000	$ 2,000
Current portion of capital lease obligations	111	109
Accounts payable - trade	2,018	2,331
Accrued expenses	2,969	3,158
Total current liabilities	7,098	7,598
LONG-TERM LIABILITIES		
Long-term debt	5,910	6,910
Long-term capital lease obligations	938	992
Other long-term liabilities	813	813
SHAREHOLDERS' EQUITY		
Common Stock, $.01 par value; authorized 26,000,000 shares; outstanding 12,923,752 and 12,876,801 shares, respectively (after deducting shares in treasury: December - 1,487,616; June - 1,360,567)	129	129
Additional paid-in capital	3,919	3,684
Retained earnings	5,865	4,293
Total shareholders' equity	9,913	8,106
	$ 24,672	$ 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>

<S>	Six Months Ended December 29, 1996 <C>	Six Months Ended December 24, 1995 <C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,161	$ 1,768
Add non-cash items	1,394	1,151
Changes in assets and liabilities:		
Accounts and notes receivable	(1,861)	(445)
Inventories	114	(380)
Accounts payable - trade	(313)	534
Accrued expenses	(251)	(100)
Deferred income	62	603
Other - net	127	107
Cash provided by operating activities	1,433	3,238

CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(148)	(378)
Proceeds from sales of assets	-	83
Cash used for investing activities	(148)	(295)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt and capital lease obligations	(1,052)	(2,514)
Proceeds from exercise of stock options	273	213
Purchases of treasury stock	(627)	(1,519)
Cash used for financing activities	(1,406)	(3,820)
Net decrease in cash and cash equivalents	(121)	(877)
Cash and cash equivalents, beginning of period	653	1,672
Cash and cash equivalents, end of period	$ 532	$ 795

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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

CASH PAYMENTS FOR:		
Interest	$ 315	$ 504
Income taxes	70	25

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 and six months ended December 29, 1996, common stock equivalents were 930,236 and 839,951, respectively, and the total weighted average number of shares considered to be outstanding were 13,879,815 and 13,775,855, respectively. For the three and six months ended December 24, 1995, common stock equivalents were 894,996 and 755,276, respectively, and the total weighted average number of shares considered to be outstanding were 14,199,864 and 14,129,490, respectively.

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

Quarter and six months ended December 29, 1996 compared to the quarter and six months ended December 24, 1995.

Net income for the second quarter of the current fiscal year rose 20% to

$1,165,000 or $.08 per share compared to $975,000 or $.07 per share for the same quarter last year. For the six months ended December 29, 1996, net income increased 22% to $2,161,000 or $0.16 per share, from $1,768,000 or $0.13 per share for the same period last year.

Food and supply sales from the Company's distribution division increased 7% for the quarter and 10% for the six month period, compared to the same periods last 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 5% for the quarter and 8% for the six month period. This was primarily due to lower income 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 and the Philippines.

Restaurant sales, which are comprised of sales from Company operated units, decreased 14% and 10% for the quarter and six month periods, respectively, compared to the same periods last year. This is primarily the result of the closing during fiscal 1996 of one of these units, leaving five units which the Company uses for training or other purposes.

Cost of sales increased 4% and 7% for the quarter and six month periods, respectively, 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 both current year periods, as a result of cost savings 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 for the quarter were maintained at essentially the same level as the comparable quarter last year. Franchise expenses for the six month period increased 3%, reflecting additional expenditures in the first quarter of fiscal 1997 for sales, training and field service personnel, as well as increases in expenses related to marketing the Company's franchising opportunities.

General and administrative expenses decreased 6% and 3% for the quarter and six months, respectively, as the Company continues to hold down costs not directly related to the franchise service and distribution areas of the business.

Interest expense decreased 23% and 25% for the three and six month periods, respectively, as a result of lower average debt balances and lower interest rates.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations totaled $1.4 million for the first six months 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 $1 million in scheduled principal payments during the first half of the year. In addition, cash of $627,000 was used to purchase shares of the Company's own common stock during the first six months of fiscal 1997.

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 (which currently total $23.6 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 ($9.6 million as of December 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.

"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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Shareholders on December 4, 1996, the Company's shareholders elected all four nominees to the Board of Directors. The results of the voting were as follows:

NOMINEE	VOTES FOR	VOTES WITHHELD
Bobby Clairday	10,424,300	94,188
Don G. Navarro	10,423,300	95,188
Ronald W. Parker	10,426,554	91,934
Ramon D. Phillips	10,426,819	91,669

The shareholders also approved the proposed amendment of the Company's 1993 Stock Award Plan. The results of the voting were as follows:

FOR	AGAINST	ABSTAIN	BROKER NON-VOTES
9,566,716	654,155	43,873	253,744

ITEM 5. OTHER INFORMATION

In January 1997, the Company terminated the agreement with its former licensee in Taiwan, after extensive efforts to resolve problems by mutual agreement. The Company intends to require the former licensee's compliance with its post-termination obligations and to pursue a new licensee who can develop the Pizza Inn business in Taiwan.

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/Ronald W. Parker

Ronald W. Parker
Executive Vice President and
Principal Financial Officer

By: /s/Elizabeth D. Reimer

Elizabeth D. Reimer
Controller and
Principal Accounting Officer

Dated: February 11, 1997

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