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 March 30, 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 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 March 30, 1997, an aggregate of 12,792,892 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 March 30, 1997 <C>	Three Months Ended March 24, 1996 <C>	Nine Months Ended March 30, 1997 <C>	Nine Months Ended March 24, 1996 <C>
REVENUES:				
Food and supply sales	$ 14,217	$ 13,964	$ 44,784	$ 41,746
Franchise revenue	1,581	1,836	4,920	5,458
Restaurant sales	679	684	2,009	2,162
Other income	26	73	83	237
	16,503	16,557	51,796	49,603
COSTS AND EXPENSES:				
Cost of sales	12,737	12,860	40,417	38,733
Franchise expenses	795	781	2,217	2,167
General and administrative expenses	1,187	1,328	3,744	3,953
Interest expense	154	194	514	677
	14,873	15,163	46,892	45,530
INCOME BEFORE INCOME TAXES	1,630	1,394	4,904	4,073
Provision for income taxes	554	474	1,667	1,385
NET INCOME	$ 1,076	$ 920	$ 3,237	$ 2,688
NET INCOME PER COMMON SHARE	$ 0.08	$ 0.07	$ 0.24	$ 0.19

<FN>

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

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

<TABLE>
<CAPTION>

<S>	March 30, 1997 (Unaudited) <C>	June 30, 1996 <C>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 952	$ 653
Restricted cash and short-term investments, (including $0 and $230, respectively, pledged as collateral for certain letters of credit)	338	360
Notes and accounts receivable, less allowance for doubtful accounts of $888 and $900, respectively	7,695	6,652
Inventories	2,030	1,919
Prepaid expenses and other	405	466
Net assets held for sale	66	70
Total current assets	11,486	10,120

PROPERTY, PLANT AND EQUIPMENT, net	1,970	1,866
PROPERTY UNDER CAPITAL LEASES, net	977	1,107
DEFERRED TAXES, net	9,118	10,687
OTHER ASSETS		
Long-term notes and accounts receivable, less allowance for doubtful accounts of $72 and $63, respectively	250	149
Deposits and other	407	490
	$ 24,208	$ 24,419
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 2,000	$ 2,000
Current portion of capital lease obligations	113	109
Accounts payable - trade	1,646	2,331
Accrued expenses	2,945	3,158
Total current liabilities	6,704	7,598
LONG-TERM LIABILITIES		
Long-term debt	5,410	6,910
Long-term capital lease obligations	909	992
Other long-term liabilities	802	813
SHAREHOLDERS' EQUITY		
Common Stock, $.01 par value; authorized 26,000,000 shares; outstanding 12,792,892 and 12,876,801 shares, respectively (after deducting shares in treasury: March - 1,619,516; June - 1,360,567)	128	129
Additional paid-in capital	3,887	3,684
Retained earnings	6,368	4,293
Total shareholders' equity	10,383	8,106
	$ 24,208	$ 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>

	Nine Months Ended	
	March 30, 1997	March 24, 1996
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,237	$ 2,688
Add non-cash items	2,088	1,742
Changes in assets and liabilities:		
Accounts and notes receivable	(1,144)	(293)
Inventories	(111)	(255)
Accounts payable - trade	(685)	464
Accrued expenses	(218)	(114)
Deferred income	5	204
Other - net	99	26

Cash provided by operating activities	3,271	4,462
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(433)	(534)
Proceeds from sales of assets	-	91
Cash used for investing activities	(433)	(443)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt and capital lease obligations	(1,579)	(3,041)
Proceeds from exercise of stock options	277	350
Purchases of treasury stock	(1,237)	(2,674)
Cash used for financing activities	(2,539)	(5,365)
Net increase(decrease) in cash and cash equivalents	299	(1,346)
Cash and cash equivalents, beginning of period	653	1,672
Cash and cash equivalents, end of period	$ 952	$ 326

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

CASH PAYMENTS FOR:		
Interest	$ 473	$ 660
Income taxes	110	80

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 nine months ended March 30, 1997, common stock equivalents were 878,567 and 853,984 respectively, and the total weighted average number of shares considered to be outstanding were 13,755,431 and 13,770,208, respectively. For the three and nine months ended March 24, 1996, common stock equivalents were 901,492 and 778,681, respectively, and the total weighted average number of shares considered to be outstanding were 14,054,717 and 14,079,232, respectively.

(3) 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		Nine Months Ended	
	March 30, 1997	March 24, 1996	March 30, 1997	March 24, 1996
Basic EPS	$ .08	$ .07	$ .25	$ .20
Diluted EPS	.08	.07	.24	.19

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

Quarter and nine months ended March 30, 1997 compared to the quarter and nine months ended March 24, 1996.

Net income for the third quarter of the current fiscal year rose 17% to $1,076,000 or $.08 per share compared to $920,000 or $.07 per share for the same quarter last year. For the nine months ended March 30, 1997, net income increased 20% to $3,237,000 or $0.24 per share, from $2,688,000 or $0.19 per share for the same period last year.

Food and supply sales from the Company's distribution division increased 2% for the quarter and 7% for the nine month period, compared to the same periods last year. The increase was 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, primarily cheese, during the first two quarters of the current year also contributed to the sales increase.

Franchise revenue, which includes income from royalties, license fees and area development ("A.D.") sales, decreased 14% for the quarter and 10% for the nine 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 vary significantly from year to year. Current year sales include partial recognition of proceeds from the sale of new area development rights for South Korea, the Philippines and Palestine.

Restaurant sales, which consist of sales from Company operated training units, decreased 1% and 7% for the quarter and nine month periods, respectively, compared to the same periods last year. This was primarily the result of the closing during the third quarter of fiscal 1996 of one of the units that was not required due to the opening of a new corporate training center and testing facility.

Cost of sales decreased 1% for the quarter and increased 4% for the nine month period. During both periods, product purchases increased due to the growth in food and supply sales to the Company's franchisees. These increases were offset by cost savings achieved through fleet modernization and routing efficiencies, increased labor productivity and improved buying power through volume purchasing. During the quarter, these cost savings more than offset cost increases related to the growth in food and supply sales. Cost of sales as a percentage of food and supply sales was lower during both current year periods, as a result of the cost savings mentioned here, as well as variations in seasonal cost patterns of key commodities from year to year.

Franchise expenses increased 2% for both the quarter and nine month periods. These small increases reflect additional expenditures 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 11% and 5% for the quarter and nine months, respectively, as the Company continues to focus on holding down costs not directly related to franchise service and product distribution areas of the business.

Interest expense decreased 21% and 24% for the three and nine month periods, respectively, as a result of lower average debt balances and lower interest rates.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations totaled $3.3 million for the first nine 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 $1.5 million in scheduled principal payments during the first three fiscal quarters. Cash of $1,237,000 was also used to purchase shares of the Company's own common stock during the first nine months of fiscal 1997.

In September 1996, the Company signed an agreement for the sale of exclusive operating and franchising rights in South Korea, for a total cash price of $800,000 ($687,000 net of certain expenses). In March 1997, the Company signed an agreement for the sale of exclusive operating and franchising rights in Palestine, for a total cash price of $300,000. These agreements, 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 product distribution sales are expected to provide adequate working capital. The occurrence of any additional area development sales, which cannot be predicted with any certainty, would 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 $22 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 certain temporary differences described below, to fully realize its net deferred tax asset balance ($9.1 million as of March 30, 1997). 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 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: May 14, 1997

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