SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q/A

(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 28, 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 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)

(972) 701-9955
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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 SECTIONS 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 28, 1997, AN AGGREGATE OF 12,700,655 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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<TABLE>
<CAPTION>

PART I. FINANCIAL INFORMATION

</TABLE>

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 | | Six Months Ended | |
|---|---|---|---|---|
| | December 28, 1997 | December 29, 1996 | December 28, 1997 | December 29, 1996 |
| <S> | <C> | <C> | <C> | <C> |
| REVENUES: | | | | |
| Food and supply sales | $ 14,701 | $ 15,146 | $ 29,162 | $ 30,567 |
| Franchise revenue | 1,571 | 1,739 | 3,365 | 3,339 |
| Restaurant sales | 747 | 645 | 1,444 | 1,330 |
| Other income | 51 | 29 | 149 | 57 |
| | 17,070 | 17,559 | 34,120 | 35,293 |
| COSTS AND EXPENSES: | | | | |
| Cost of sales | 13,259 | 13,714 | 26,313 | 27,680 |
| Franchise expenses | 755 | 680 | 1,658 | 1,422 |
| General and administrative expenses | 1,142 | 1,232 | 2,442 | 2,557 |
| Interest expense | 118 | 168 | 258 | 360 |
| | 15,274 | 15,794 | 30,671 | 32,019 |
| INCOME BEFORE INCOME TAXES | 1,796 | 1,765 | 3,449 | 3,274 |
| Provision for income taxes | 611 | 600 | 1,173 | 1,113 |
| NET INCOME | $ 1,185 | $ 1,165 | $ 2,276 | $ 2,161 |
| EARNINGS PER COMMON SHARE | $ 0.09 | $ 0.09 | $ 0.18 | $ 0.17 |
| EARNINGS PER COMMON SHARE - ASSUMING DILUTION | $ 0.09 | $ 0.08 | $ 0.17 | $ 0.16 |
| DIVIDENDS PER COMMON SHARE | $ 0.06 | $ - | $ 0.12 | $ - |

<FN>

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

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

<TABLE>

<CAPTION>

| | December 28, 1997 (Unaudited) | June 29, 1997 |
|---|---|---|
| <S> | <C> | <C> |
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 270 | $ 2,037 |
| Restricted cash and short-term investments, | 340 | 295 |
| Accounts receivable, less allowance for doubtful accounts of $766 and $939, respectively | 7,002 | 6,711 |
| Notes receivable, less allowance for doubtful accounts of $60 for both periods | 570 | 593 |
| Inventories | 2,098 | 2,224 |
| Prepaid expenses and other | 580 | 452 |
| Total current assets | 10,860 | 12,312 |
| PROPERTY, PLANT AND EQUIPMENT, net | 2,028 | 2,044 |
| PROPERTY UNDER CAPITAL LEASES, net | 848 | 934 |
| DEFERRED TAXES, net | 7,388 | 8,492 |
| OTHER ASSETS | | |
| Long-term notes receivable, less allowance for doubtful accounts of $122 for both periods | 575 | 149 |
| Other long-term assets | 1,233 | 379 |
| | $ 22,932 | $ 24,310 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES | | |
| Current portion of capital lease obligations | $ 120 | $ 115 |
| Accounts payable - trade | 1,862 | 1,482 |
| Accrued expenses | 2,777 | 2,917 |
| Total current liabilities | 4,759 | 4,514 |
| LONG-TERM LIABILITIES | | |
| Long-term debt | 5,513 | 6,910 |
| Long-term capital lease obligations | 818 | 879 |
| Other long-term liabilities | 776 | 786 |
| SHAREHOLDERS' EQUITY | | |
| Common Stock, $.01 par value; 26,000,000 shares authorized; outstanding 12,700,655 and 12,713,562 shares, respectively (after deducting shares in treasury: December - 2,070,016; June - 1,790,416) | 127 | 127 |
| Additional paid-in capital | 4,367 | 4,061 |
| Retained earnings | 6,572 | 7,033 |
| Total shareholders' equity | 11,066 | 11,221 |
| | $ 22,932 | $ 24,310 |

<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 | |
|---|---|---|
| | December 28, 1997 | December 29, 1996 |
| <S> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 2,276 | $ 2,161 |
| Add non-cash items | 1,600 | 1,394 |
| Changes in assets and liabilities: | | |
| Accounts and notes receivable | (719) | (1,861) |
| Inventories | 126 | 114 |
| Accounts payable - trade | 380 | (313) |
| Accrued expenses | (695) | (251) |
| Deferred income | (210) | 62 |
| Other - net | (170) | 127 |
| Cash provided by operating activities | 2,588 | 1,433 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment | (250) | (148) |
| Reacquisition of area development territory | (986) | - |
| Cash used for investing activities | (1,236) | (148) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net repayments of long-term bank debt and capital lease obligations | (1,453) | (1,052) |
| Dividends paid | (765) | - |
| Proceeds from exercise of stock options | 405 | 273 |
| Purchases of treasury stock | (1,306) | (627) |
| Cash used for financing activities | (3,119) | (1,406) |
| Net decrease in cash and cash equivalents | (1,767) | (121) |
| Cash and cash equivalents, beginning of period | 2,037 | 653 |
| Cash and cash equivalents, end of period | $ 270 | $ 532 |

- ---------------------------------------------------------------------------------------------

| | | |
|---|---|---|
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| CASH PAYMENTS FOR: | | |
| Interest | $ 279 | $ 315 |
| Income taxes | 80 | 70 |

<FN>
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 29, 1997.

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) In July 1997, the Company reacquired the area development rights for the majority of Tennessee and portions of Kentucky. The Company paid $986,000 in cash for these rights, and recorded a long-term asset for the same amount. Restaurants operating or developed in the reacquired Territory now pay all royalties and franchise fees directly to Pizza Inn, Inc. The asset will be amortized over approximately five years, based on the expected cash flow from the Territory.

(3) In December 1997, the Company's Board of Directors declared a quarterly dividend of $0.06 per share on the Company's common stock, payable January 23, 1998 to shareholders of record on January 9, 1998. The Company's balance sheet as of December 28, 1997 includes a current liability of $765,000 for dividends declared but not yet paid.

(4) In August 1997, the Company signed a new agreement (the "New Loan Agreement") with its current lender, Wells Fargo, to refinance its existing debt under a new revolving credit facility. The new $9.5 million revolving credit line combines the Company's existing $6.9 million term loan with its $1 million revolving credit line, plus an additional $1.6 million revolving credit commitment. The new revolving credit note matures in August 1999 and is secured by essentially all of the Company's assets.

Interest on the revolving credit line is payable monthly. Interest is provided for at a rate equal to prime plus an interest margin from -1.0% to 0.0% or, at the Company's option, at the Eurodollar rate plus 1.25% to 2.25%. The interest rate margin is based on the Company's performance under certain financial ratio tests. A 0.5% annual commitment fee is payable on any unused portion of the revolving credit line.

The New Loan Agreement contains covenants which, among other things, require the Company to satisfy certain financial ratios and restrict additional debt.

The Company also entered into a separate cash management agreement with Wells Fargo, under which excess cash in the Company's bank accounts is applied against its revolving credit advance on a daily basis. For the six months ended December 28, 1997, net payments against the advance were $1.4 million.

(5) In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings per Share ("SFAS 128"), which is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. Effective December 28, 1997, the Company adopted SFAS 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 following table shows the reconciliation of the numerator and denominator of the basic EPS calculation to the numerator and denominator of the diluted EPS calculation (in thousands, except per share amounts).

<TABLE>
<CAPTION>

| | Three Months Ended December 28, 1997 | | | Three Months Ended December 29, 1996 | | |
|---|---|---|---|---|---|---|
| | Income (Numerator) | Shares (Denominator) | Per-Share Amount | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| BASIC EPS | | | | | | |
| Income Available to Common Shareholders | $ 1,185 | 12,713 | $ 0.09 | $ 1,165 | 12,950 | $ 0.09 |
| EFFECT OF DILUTIVE SECURITIES | | | | | | |
| Stock Options | | 1,155 | | | 930 | |
| DILUTED EPS | | | | | | |
| Income Available to Common Shareholders and Assumed Conversions | $ 1,185 | 13,868 | $ 0.09 | $ 1,165 | 13,880 | $ 0.08 |

</TABLE>

<TABLE>
<CAPTION>

| | Six Months Ended December 28, 1997 | | | Six Months Ended December 29, 1996 | | |
|---|---|---|---|---|---|---|
| | Income (Numerator) | Shares (Denominator) | Per-Share Amount | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| BASIC EPS | | | | | | |
| Income Available to Common Shareholders | $ 2,276 | 12,696 | $ 0.18 | $ 2,161 | 12,936 | $ 0.17 |
| EFFECT OF DILUTIVE SECURITIES | | | | | | |
| Stock Options | | 883 | | | 840 | |
| DILUTED EPS | | | | | | |
| Income Available to Common Shareholders and Assumed Conversions | $ 2,276 | 13,579 | $ 0.17 | $ 2,161 | 13,776 | $ 0.16 |
| | ======= | ====== | ====== | ======= | ====== | ====== |

</TABLE>

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

Quarter and six months ended December 28, 1997 compared to the quarter and six months ended December 29, 1996.

Net income for the second quarter of the current fiscal year rose 2% to $1,185,000 or $0.09 per share (also $0.09 per share assuming dilution) compared to $1,165,000 or $0.09 per share ($0.08 per share assuming dilution) for the same quarter last year. For the six months ended December 28, 1997, net income increased 5% to $2,276,000 or $0.18 per share ($0.17 per share assuming dilution), from $2,161,000 or $0.17 per share ($0.16 per share assuming dilution) for the same period last year.

Food and supply sales decreased 3% for the quarter, compared to the same period last year. This was primarily due to higher international food and supply sales last year as the result of a large initial shipment to a new international location. For the six month period, food and supply sales decreased 5%. During the first quarter, sales decreased due to slightly lower domestic retail sales, decreases in the market price of certain commodities, and lower international food and supply sales due to a large initial shipment in the prior year.

Franchise revenue, which includes income from royalties, license fees and area development and foreign master license (collectively, "Territory") sales, decreased 10% for the quarter and increased 1% for the six month period. The decrease in the quarter was primarily due to lower income recognized from Territory sales. For the six month period, this decrease was offset by higher Territory sales during the first quarter. The timing and amount of proceeds from Territory sales may vary significantly from year to year and during the year. Current year sales include partial recognition of proceeds from the sale of Territory rights for Korea, the Palestinian Territories, Brazil, South Carolina and Virginia. Royalties increased slightly during the current quarter due to the reacquisition of an area development Territory during the first quarter of the current year. Royalties from all restaurants operating in this Territory, including the portion of royalties formerly retained by the area developer, are now paid to the Company.

Other income consists primarily of interest and non-recurring revenue items. The current year includes a gain on the sale of a liquor license in New Mexico during the first quarter.

Cost of sales decreased 3% and 5% for the quarter and six month periods, respectively, reflecting the decrease in food and supply sales. As a percentage of food and supply sales, the cost of sales was slightly lower during both current year periods due to increased purchasing efficiencies.

Franchise expenses increased 11% for the quarter and 17% for the six month period, compared to the same periods last year. This reflects increases in expenditures for sales, marketing, training and field service personnel. Franchise expenses for the current year also include the amortization of a reacquired area development Territory.

General and administrative expenses decreased 7% and 5% for the quarter and six months, respectively, compared to the same periods last year. Due to the Company's settlement of a lawsuit with a former international master licensee, amounts accrued during the previous year to cover further litigation costs in this matter were reversed. This credit was the primary cause of the decrease in general and administrative expenses.

Interest expense decreased 30% and 28% 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 $2,588,000 for the first six months of fiscal 1998, 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's agreement with its bank provides that excess cash will be applied against any outstanding revolving credit advance. For the six months ended December 28, 1997, net cash applied against the advance was $1.4 million. The Company currently has $4 million available under its revolving line of credit. The Company also utilized cash to reacquire an area development Territory for $986,000, to pay dividends of $765,000 on the Company's common stock, and to repurchase 270,300 shares of its own common stock for $1,306,000.

During the six month period, the Company signed an agreement for the sale of an area development Territory covering certain counties in Virginia and South Carolina to an existing area developer for a cash price of $240,000. This area development agreement, along with other agreements signed during the last four years, contain development commitments for additional unit growth over the next five years. The occurrence of any additional area development sales, which cannot be predicted with any certainty, may also provide significant infusions of cash. Growth in royalties and distribution sales are expected to provide adequate working capital. 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 $17.1 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 ($7.4 million as of December 28, 1997). Taxable income in future years at the same level as fiscal 1997 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.

"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 11, 1997, the Company's shareholders elected all three nominees to the Board of Directors. The results of the voting were as follows:

| NOMINEE | VOTES FOR | VOTES WITHHELD |
|---|---|---|
| C. Jeffrey Rogers | 10,663,450 | 105,109 |
| F. Jay Taylor | 10,663,450 | 105,109 |
| Steve A. Ungerman | 10,663,450 | 105,109 |

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 | TOTAL SHARES |
|---|---|---|---|
| 9,329,195 | 826,596 | 472,984 | 10,628,775 |

### 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 12, 1998

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