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 24, 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 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)

(214) 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 March 24, 1996, an aggregate of 13,020,401 shares of the registrant's Common Stock, par value of $.01 each (being the registrant's only class of common stock), were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PIZZA INN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 24, 1996	Three Months Ended March 26, 1995	Nine Months Ended March 24, 1996	Nine Months Ended March 26, 1995
REVENUES:				
Food and supply sales	$13,964	$12,523	$41,746	$38,167
Franchise revenue	1,836	1,903	5,458	5,326
Restaurant sales	684	768	2,162	2,376
Other	73	49	237	126
	16,557	15,243	49,603	45,995
COSTS AND EXPENSES:				
Cost of sales	12,860	11,896	38,733	36,227
Franchise expenses	781	727	2,167	2,063
General and administrative expenses	1,328	1,216	3,953	3,735
Non-recurring gain	-	-	-	(531)
Interest	194	309	677	1,016
	15,163	14,148	45,530	42,510
INCOME BEFORE INCOME TAXES	1,394	1,095	4,073	3,485
Provision for income taxes	474	372	1,385	1,185
NET INCOME	$ 920	$ 723	$ 2,688	$ $2,300
NET INCOME PER COMMON SHARE	$ 0.07	$ 0.05	$ 0.19	$ 0.16

See accompanying Notes to Condensed Consolidated Financial Statements

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

	March 24, 1996 (Unaudited)	June 25, 1995

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$ 326	$ 1,672
Restricted cash and short-term investments (including $230 pledged as collateral for certain letters of credit)	345	353
Notes and accounts receivable, less allowance for doubtful accounts of $1,170 and $1,119, respectively	5,963	5,109
Inventories	1,845	1,590
Prepaid expenses and other	587	590
Net assets held for sale	131	243
Total current assets	9,197	9,557
PROPERTY, PLANT AND EQUIPMENT, net	1,930	1,722
PROPERTY UNDER CAPITAL LEASES, net	663	747
DEFERRED TAXES, net	11,279	12,582
OTHER ASSETS		
Long-term notes and accounts receivable, less allowance for doubtful accounts of $61 and $199, respectively	129	690
Deposits and other	495	505
	$ 23,693	$ 25,803

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Current portion of long-term debt	$ 2,000	$ 1,995
Current portion of capital lease obligations	66	71
Accounts payable - trade	1,648	1,184
Accrued expenses	3,431	2,808
Total current liabilities	7,145	6,058
LONG-TERM LIABILITIES		
Long-term debt	7,410	10,393
Long-term capital lease obligations	589	646
Other long-term liabilities	783	1,304
SHAREHOLDERS' EQUITY		
Common Stock, $.01 par value; authorized 26,000,000 shares; outstanding 13,020,401 and 13,526,970 shares,respectively (after deducting shares in treasury: March 24 - 1,156,967; June 25 - 418,898)	130	135
Additional paid-in capital	3,598	3,974
Retained earnings	4,038	3,293
Total shareholders' equity	7,766	7,402
	$ 23,693	$ 25,803

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended	
	March 24, 1996	March 26, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,688	$ 2,300
Add non-cash items	1,742	943
Changes in assets and liabilities:		
Accounts and notes receivable	(293)	(393)
Inventories	(255)	105
Accounts payable - trade	464	121
Deferred income	204	(829)
Other accrued expenses	(114)	(339)
Other - net	26	(286)
Cash provided by operating activities	$ 4,462	$ 1,622
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(534)	(829)
Proceeds from sales of assets	91	129
Cash used for investing activities	(443)	(700)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt and capital lease obligations	(3,041)	(1,265)
Proceeds from exercise of stock options	350	179
Purchases of treasury stock	(2,674)	(66)
Cash used for financing activities	(5,365)	(1,152)
Net decrease in cash and cash equivalents	(1,346)	(230)
Cash and cash equivalents, beginning of period	1,672	2,924
Cash and cash equivalents, end of period	$ 326	$ 2,694

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

CASH PAYMENTS FOR:		
Interest	$ 660	$ 1,028
Income taxes	80	40
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Notes received upon sale of area development territories	-	511

See accompanying Notes to Condensed Consolidated Financial Statements

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/A for the fiscal year ended June 25, 1995.

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. Certain prior year amounts have been reclassified to conform to current year presentation.

(2) 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. For the three and nine months ended March 26, 1995, common stock equivalents were 325,182 and 405,619, respectively, and the total weighted average number of shares considered to be outstanding were 14,267,081 and 14,339,616, respectively.

(3) On June 30, 1995, the Company purchased 262,094 shares of its own common stock from a former lender for a cash price price $596,285. In addition, during the nine months ended March 24, 1996, the Company purchased 475,400 of its own shares in the open market. The total purchase price for these shares was $2,077,493. These reacquired shares are held as treasury stock and will be retired at the earliest opportunity.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Quarter and nine months ended March 24, 1996 compared to the quarter and nine months ended March 26, 1995.

Net income for the third quarter of the current fiscal year increased 27% to $920,000 or $.07 per share, from $723,000 or $0.05 per share for the same quarter last year. For the nine month period, net income rose 17% to $2,688,000 or $0.19 per share from $2,300,000 or $0.16 per share last year. The prior year nine months included a non-recurring gain of $350,000 net of tax from the resolution of certain property and sales tax liabilities. Excluding the effect of this gain, net income for the nine month period was up 38% and earnings per share grew 36% to $0.19 from $0.14.

Food and supply sales from the Company's distribution division increased 12% for the quarter and 9% for the nine month period, compared to the same periods last year. This was partially the result of higher domestic chainwide sales, which were up 2% for the quarter and 3% for the nine month period. Increased market share on sales of non-proprietary food ingredients and equipment, as well as increases in the market price of certain commodities, also contributed to higher food and supply sales.

Franchise revenue, which includes income from royalties, franchise fees and area development sales, decreased 4% for the quarter and increased 2% for the nine month period. Royalties during the quarter were down 12%, primarily as a result of a one-time adjustment in the previous year to recognize actual international royalties in excess of amounts previously accrued. For the nine month period, royalties were up slightly in the current year, due to higher domestic chainwide sales and international store openings at higher effective royalty rates than existing units. It should also be noted that during the current quarter, all 39 Pizza Inn units in Korea were closed. The Company had previously terminated the license and filed suit against the Korean Master Licensee to enforce compliance with certain contractual obligations and to collect past due receivables. The Korean units paid less than $150,000 per year in royalties. Franchise fees were down for the quarter and nine month periods compared to the prior year, due to the timing of store openings and the number of stores opening within area development territories. Increased current year openings of Express units, which have a lower initial fee, also contributed to the decrease in franchise fees. Area development sales increased for both current year periods, and include revenue from the sale of area development rights for sections of North Carolina and South Carolina.

Other revenue consists primarily of interest income and non-recurring revenue items. Revenue from the sale of lease rights on a non-operating property during the current quarter and revenue from a favorable lawsuit settlement during an earlier quarter of the current year resulted in the increase in other revenue for both current year periods.

Cost of sales increased 8% and 7% for the quarter and nine 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, cost of sales is slightly lower during both current year periods as a result of cost efficiencies achieved through fleet modernization and routing efficiencies, increased labor productivity, and improved buying power through volume purchasing.

Franchise expenses increased 7% and 5% for the quarter and nine month periods due to additional expenditures for franchisee training and support personnel.

General and administrative expenses increased 9% and 6% for the quarter and nine months, respectively. This was due primarily to the implementation of a new computer system, which resulted in additional expenses related to programming and support.

During the prior year nine month period, upon settlement of certain sales and property tax liabilities for amounts lower than previously estimated, the Company recorded a non-recurring gain of $531,000. The after-tax effect of this adjustment on prior year net income was an increase of $350,000 or $.02 per share.

Interest expense decreased 37% and 33% for the quarter and nine months, respectively, due to lower debt levels and lower interest rates.

Liquidity and Capital Resources

Cash provided by operations totalled $4.5 million for the first nine months of fiscal 1996, and consisted primarily of net income, plus the benefit of the Company's net operating loss carryforwards which significantly reduced the amount of federal income tax actually paid. The Company used cash of $534,000 during the first nine months of this year for capital expenditures to upgrade the distribution division warehouse and fleet, and to purchase new equipment for the company-operated training stores. The Company also used cash to reduce bank debt by making scheduled principal payments of $1.6 million and voluntary prepayments of $1.4 million during the first nine months of the year. Cash was also used to purchase shares of the Company's own common stock. On June 30, 1995, the Company purchased 262,094 shares from a former lender for a cash price of $596,285. During the first nine months of fiscal 1996, the Company also purchased 475,400 of its shares on the open market for a total price of $2,077,493. Management believes that the recent market price of its common stock makes it an attractive investment for the Company, and to the extent that these prices prevail, the Company plans to continue purchasing its own shares while repaying debt.

During the first quarter of fiscal 1996, the Company signed an agreement for the sale of an area development territory covering portions of North Carolina and South Carolina to an existing area developer for a cash price of $1,350,000. This area development agreement, along with other 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 for future needs. The occurrence of any additional area development sales during the year, 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 utilization of its net operating loss carryforwards to reduce its federal tax liability from the 34% 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 to fully realize the net deferred tax asset balance of $11.3 million as of March 24, 1996. Taxable income in future years at the same level as fiscal 1995 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 March 24, 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
$ 3,700	2004
24,600	2005
$ 28,300	

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/Amy E. Manning
Amy E. Manning
Controller and
Principal Accounting Officer

Dated: May 7, 1996

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