

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) MAY 5, 2006

PIZZA INN, INC.
(Exact name of registrant as specified in its charter)

MISSOURI 0-12919 47-0654575
(State or other jurisdiction of incorporation) (Commission File Number) (IRS
Employer Identification No.)

3551 PLANO PARKWAY, THE COLONY, TEXAS 75056
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (469) 384-5000

NOT APPLICABLE
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 7.01 REGULATION FD DISCLOSURE.

Pizza Inn, Inc. elects to disclose the information in the press release furnished as Exhibit 99.1 to this report and incorporated herein by reference through Form 8-K pursuant to Regulation FD.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(C) EXHIBITS.

EXHIBIT NO. DESCRIPTION OF EXHIBIT

99.1 Press Release dated May 5, 2006 (furnished herewith and incorporated
herein by reference)

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 hereunto duly authorized.

Pizza Inn, Inc.

Date: May 8, 2006

By: /s/ Rod J. McDonald
Rod J. McDonald, Secretary

PIZZA INN, INC. REPORTS RESULTS FOR THE
THIRD QUARTER FISCAL YEAR 2006

THE COLONY, TEXAS - TBD, 2006 - PIZZA INN, INC. (NASDAQ:PZZI) today reported a net loss per share for its third quarter ended March 26, 2006 of (\$0.05) versus earnings of \$0.00 per share for the same quarter last year. The quarter resulted in a net loss of (\$477,000) versus a net loss of (\$20,000) for the same quarter last year on revenues of \$12.8 million and \$13.4 million, respectively.
THIRD QUARTER FY 2006 VERSUS THIRD QUARTER FY 2005 RESULTS

Diluted EPS was (\$0.05) versus \$0.00 on a net loss of (\$477,000) versus a net loss of (\$20,000) for the same quarter last year.

Same store buffet restaurant sales increased 1.1% for the quarter and same store chainwide retail sales increased 0.4% for the quarter.

Total revenues decreased approximately 4%, or \$589,000, primarily due to 2.6% overall lower chainwide retail sales as a result of fewer net stores and lower cheese prices. The resulting reductions in food and supply sales and royalty revenues were partially offset by higher company-owned restaurant sales due to the opening of three new company buffet restaurants in the current fiscal year.

Losses for company-owned restaurants increased approximately \$140,000 to (\$238,000).

Salaries increased approximately \$134,000 due to increased staffing levels and severance payments made.

Energy costs increased approximately \$114,000.

General and administrative expenses included non-cash stock compensation expense of \$88,000 for approximately 560,000 stock option rights granted previously. The prior year did not include any non-cash compensation expense.

P R E S S R E L E A S E

FOR IMMEDIATE RELEASE

PIZZA INN, INC. REPORTS RESULTS FOR THE
THIRD QUARTER FISCAL YEAR 2006
(CONTINUED)

The Company's President and CEO, Tim Taft, commented, "Following months of research and preparation, we implemented the first phase of our marketing plan in January of this year and are already seeing encouraging results from these efforts. In addition, the renewed trust and confidence our franchise partners have in the brand's new direction is producing positive results. We continue to work together to establish the proper direction for Pizza Inn, one focused on our competitive strengths and advantages. Although sales performance is improving at Pizza Inn, we have not lost sight of our opportunity to improve its operating performance."

Certain statements in this press release, other than historical information, may be considered forward-looking statements, within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, and are subject to various risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ from those anticipated, estimated or expected. Among the key factors that may have a direct bearing on Pizza Inn's operating results, performance or financial condition are its ability to implement its growth strategies, national, regional and local economic conditions affecting the restaurant/ entertainment industry, competition within each of the restaurant and entertainment industries, store sales cannibalization, success of its franchise operations, negative publicity, fluctuations in quarterly results of operations, including seasonality, government regulations, weather, commodity, insurance and labor costs.

Pizza Inn, Inc. is headquartered in The Colony, Texas, along with its distribution division, Norco Restaurant Services Company. Pizza Inn franchises approximately 378 restaurants and currently owns four restaurants with annual chainwide sales of approximately \$155 million.

PIZZA INN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	MARCH 26, 2006	MARCH 27, 2005	MARCH 26, 2006	MARCH 27, 2005
REVENUES:				
Food and supply sales	\$ 11,131	\$ 11,859	\$ 33,654	\$ 36,981
Franchise revenue	1,200	1,319	3,579	3,884
Restaurant sales	512	223	1,069	721

	12,843	13,401	38,302	41,586
COSTS AND EXPENSES:				
Cost of sales	11,225	11,241	33,451	35,125
Franchise expenses	783	723	2,384	2,044
General and administrative expenses	1,363	1,311	4,461	3,497
	13,371	13,275	40,296	40,666
OPERATING (LOSS) INCOME	(528)	126	(1,994)	920
Gain on sale of asset	2	-	149	-
Interest expense	(211)	(157)	(579)	(431)
(LOSS) INCOME BEFORE INCOME TAXES	(737)	(31)	(2,424)	489
Provision for income taxes	(260)	(11)	(856)	173
NET (LOSS) INCOME	\$ (477)	\$ (20)	\$ (1,568)	\$ 316
BASIC (LOSS) EARNINGS ' PER COMMON SHARE	\$ (0.05)	\$ -	\$ (0.15)	\$ 0.03
DILUTED (LOSS) EARNINGS ' PER COMMON SHARE	\$ (0.05)	\$ -	\$ (0.15)	\$ 0.03
WEIGHTED AVERAGE ' COMMON SHARES	10,138	10,089	10,118	10,109
WEIGHTED AVERAGE COMMON AND POTENTIAL DILUTIVE COMMON SHARES	10,188	10,117	10,164	10,142

PIZZA INN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)
(unaudited)

	MARCH 26, 2006	JUNE 26, 2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 190	\$ 173
Accounts receivable, less allowance for doubtful accounts of \$209 and \$360 respectively	2,894	3,419
Accounts receivable - related parties	465	622
Notes receivable, current portion, less allowance for doubtful accounts of \$0 and \$11, respectively	63	-
Inventories	1,996	1,918
Property held for sale	-	301
Deferred tax assets, net	1,011	193
Prepaid expenses and other	353	355
Total current assets	6,972	6,981
LONG-TERM ASSETS		
Property, plant and equipment, net	13,340	12,148
Property under capital leases, net	-	12
Long-term receivable	10	-
Long-term receivable - related party	313	314
Goodwill	153	-
Reacquired development territory	479	623
Deposits and other	196	177
	\$ 21,463	\$ 20,255
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 2,558	\$ 1,962

Accrued expenses	1,896	1,374
Current portion of long-term debt	8,648	406
Current portion of capital lease obligations	-	11
Total current liabilities	13,102	3,753
LONG-TERM LIABILITIES		
Long-term debt	-	7,297
Long-term capital lease obligations	-	13
Deferred tax liability, net	-	3
Other long-term liabilities	523	283
	13,625	11,349
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common Stock, \$.01 par value; authorized 26,000,000 shares; issued 15,090,319 and 15,046,319 shares, respectively; outstanding 10,138,494 and 10,094,494 shares, respectively	151	150
Additional paid-in capital	8,371	8,005
Retained earnings	19,014	20,582
Accumulated other comprehensive loss	(54)	(187)
Treasury stock at cost		
Shares in treasury: 4,951,825 and 4,951,825, respectively	(19,644)	(19,644)
Total shareholders' equity	7,838	8,906
	\$ 21,463	\$ 20,255

PIZZA INN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	NINE MONTHS ENDED	
	MARCH 26, 2006	MARCH 27, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (1,568)	\$316
Adjustments to reconcile net (loss) income to cash provided by operating activities:		
Depreciation and amortization	884	861
Gain on property held for sale	(159)	-
Provision for bad debt	100	30
Utilization of deferred taxes	-	(20)
Stock compensation expense	285	-
Deferred rent	32	-
Changes in assets and liabilities:		
Notes and accounts receivable	491	(358)
Inventories	(79)	(435)
Accounts payable - trade	596	786
Accrued expenses	(166)	(711)
Prepaid expenses and other	158	51
CASH PROVIDED BY OPERATING ACTIVITIES	574	520
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	589	-
Capital expenditures	(2,165)	(721)
CASH USED FOR INVESTING ACTIVITIES	(1,576)	(721)
CASH FLOWS FROM FINANCING ACTIVITIES:		

Repayments of long-term bank debt and capital lease obligations	(110)	(102)
Borrowings of bank debt	1,047	-
Stock repurchase	-	(160)
Proceeds from exercise of stock options	82	16
	-----	-----
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	1,019	(246)
	-----	-----
Net increase (decrease) in cash and cash equivalents	17	(447)
Cash and cash equivalents, beginning of period	173	617
	-----	-----
Cash and cash equivalents, end of period	\$ 190	\$ 170
	-----	-----