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 29, 1998.

[ ] 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 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 NO

AT MARCH 29, 1998, AN AGGREGATE OF 12,744,224 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.

Index

PART I. FINANCIAL INFORMATION

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended		Nine Months Ended	
	March 29, 1998	March 30, 1997	March 29, 1998	March 30, 1997
REVENUES:				
Food and supply sales	$ 14,516	$ 14,217	$ 43,678	$ 44,784
Franchise revenue	1,579	1,581	4,944	4,920
Restaurant sales	619	679	2,063	2,009
Other income	150	26	299	83
	16,864	16,503	50,984	51,796
COSTS AND EXPENSES:				
Cost of sales	13,094	12,737	39,407	40,417
Franchise expenses	882	795	2,540	2,217
General and administrative expenses	1,383	1,187	3,825	3,744
Interest expense	117	154	375	514
	15,476	14,873	46,147	46,892
INCOME BEFORE INCOME TAXES	1,388	1,630	4,837	4,904
Provision for income taxes	209	554	1,382	1,667
NET INCOME	$ 1,179	$ 1,076	$ 3,455	$ 3,237
EARNINGS PER COMMON SHARE	$ 0.09	$ 0.08	$ 0.27	$ 0.25
EARNINGS PER COMMON SHARE - ASSUMING DILUTION	$ 0.09	$ 0.08	$ 0.25	$ 0.24
DIVIDENDS PER COMMON SHARE	$ -	$ -	$ 0.12	$ -

See accompanying Notes to Condensed Consolidated Financial Statements

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

	March 29, 1998 (Unaudited)	June 29, 1997
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,241	$ 2,037
Restricted cash and short-term investments,	340	295
Accounts receivable, less allowance for doubtful accounts of $836 and $939, respectively	8,050	6,711
Notes receivable, less allowance for doubtful accounts of $40 and $60, respectively	509	593
Inventories	1,954	2,224
Prepaid expenses and other	596	452
Total current assets	12,690	12,312
PROPERTY, PLANT AND EQUIPMENT, net	1,952	2,044
PROPERTY UNDER CAPITAL LEASES, net	805	934
DEFERRED TAXES, net	7,207	8,492
OTHER ASSETS		
Long-term notes receivable, less allowance for doubtful accounts of $142 and $122, respectively	583	149
Other long-term assets	308	379
	$ 23,545	$ 24,310
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of capital lease obligations	$ 122	$ 115
Accounts payable - trade	2,144	1,482
Accrued expenses	2,003	2,917
Total current liabilities	4,269	4,514
LONG-TERM LIABILITIES		
Long-term debt	5,500	6,910
Long-term capital lease obligations	786	879
Other long-term liabilities	774	786
SHAREHOLDERS' EQUITY		
Common Stock, $.01 par value; 26,000,000 shares authorized; outstanding 12,744,224 and 12,713,562 shares, respectively (after deducting shares in treasury: December - 2,131,707; June - 1,790,416)	128	127
Additional paid-in capital	4,718	4,061
Retained earnings	7,370	7,033
Total shareholders' equity	12,216	11,221
	$ 23,545	$ 24,310

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended March 29, 1998	Nine Months Ended March 30, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,455	$ 3,237
Add non-cash items	2,098	2,088
Changes in assets and liabilities:		
Accounts and notes receivable	(1,789)	(1,144)
Inventories	270	(111)
Prepaid expenses	(210)	61
Accounts payable - trade	662	(685)
Accrued expenses	(592)	(218)
Deferred income	(322)	5
Other - net	(175)	38
Cash provided by operating activities	3,397	3,271
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(301)	(433)
Proceeds from sales of assets	66	-
Proceeds from sale of reacquired are development	986	-
Rreacquisition of area development territory	(986)	-
Cash used for investing activities	(235)	(433)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayments of long-term bank debt and capital lease obligations	(1,496)	(1,579)
Dividends paid	(1,530)	-
Proceeds from exercise of stock options	778	277
Purchases of treasury stock	(1,710)	(1,237)
Cash used for financing activities	(3,958)	(2,539)
Net decrease in cash and cash equivalents	(796)	299
Cash and cash equivalents, beginning of period	2,037	653
Cash and cash equivalents, end of period	$ 1,241	$ 952

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

CASH PAYMENTS FOR:		
Interest	$ 406	$ 473
Income taxes	120	110

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 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 which was amortized over a five year life. In March 1998, the Company sold this area development territory for $986,000 and recognized a gain on the sale of the asset in the amount of $125,000. This transaction also included the full collection of receivables from the original ownership of this territory totaling an additional $341,000.

(3) In April 1998, the Company's Board of Directors declared a quarterly dividend of $0.06 per share on the Company's common stock, payable April 23, 1998 to shareholders of record on April 13, 1998.

(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. At March 29, 1998, the Company is in compliance with all financial covenants.

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 nine months ended March 29, 1998, net payments against the advance were $1.4 million.

(5) The Company increased the net deferred tax asset during the quarter by $263,000 for general business tax credits through a reduction of the tax valuation allowance. These tax credits, expiring between 2000 and 2001, will be available for utilization prior to expiration due to increased taxable income in recent years. The Company believes that it is more likely than not that these credits will be realized. This benefit is included in the provision for income tax for the quarter and the nine months.

(6) In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings per Share ("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).

	Three Months Ended March 29, 1998			Three Months Ended March 30, 1997		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS Income Available to Common Shareholders	$ 1,179	12,734	$ 0.09	$ 1,076	12,877	$ 0.08
EFFECT OF DILUTIVE SECURITIES Stock Options		1,134			878	
DILUTED EPS Income Available to Common Shareholders & Assumed Conversions	$ 1,179	13,868	$ 0.09	$ 1,076	13,755	$ 0.08

	Nine Months Ended March 29, 1998			Nine Months Ended March 30, 1997		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS Income Available to Common Shareholders	$ 3,455	12,709	$0.27	$3,237	12,916	$0.25
EFFECT OF DILUTIVE SECURITIES Stock Options		921			854	
DILUTED EPS Income Available to Common Shareholders & Assumed Conversions	$ 3,455	13,630	$ 0.25	$ 3,237	13,770	$ 0.24

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

Quarter and nine months ended March 29, 1998 compared to the quarter and nine months ended March 30, 1997.

Net income for the third quarter of the current fiscal year rose 10% to $1,179,000 or $0.09 per share ($0.09 per share assuming dilution) compared to $1,076,000 or $0.08 per share ($0.08 per share assuming dilution) for the same quarter last year. For the nine months ended March 29, 1998, net income increased 7% to $3,455,000 or $0.27 per share ($0.25 per share assuming dilution), from $3,237,000 or $0.25 per share ($0.24 per share assuming dilution) for the same period last year.

Food and supply sales increased 2% for the quarter, compared to the same period last year, due to 3% higher domestic food sales to more franchise restaurants offset by a decrease in food and equipment sales to international franchisees. For the nine month period, food and supply sales decreased 2%, largely due to lower international food and equipment sales as compared to the nine month period in 1997 which included several large initial shipments for international openings.

Franchise revenue, which includes income from royalties, license fees and area development and foreign master license (collectively, "Territory") sales, was unchanged for the quarter and increased 1% for the nine month period. Domestic franchise revenues increased 15% and 10% during the quarter and the nine months of the current fiscal year, respectively, offset by a decrease in international franchise revenues. The timing and amount of proceeds may vary significantly from year-to-year and during the year. Current year revenues include partial recognition of proceeds from the sale of Territory rights for Korea, the Palestinian Territories, Brazil, South Carolina, Virginia, Tennessee and Kentucky.

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

Cost of sales increased 3% for the quarter and decreased 2% for the nine month period. As a percentage of food and supply sales, the cost of sales increased during the quarter due to higher transportation costs associated with a temporary shortage of truck drivers but remained lower for the nine months due to increased purchasing efficiencies.

Franchise expenses increased 11% for the quarter and 15% for the nine 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 increased 17% and 2% for the quarter and nine months, respectively, compared to the same periods last year. This increase is principally due to a $50,000 fee to NASDAQ to be listed on the national market exchange, a $75,000 increase in the allowance for doubtful accounts and $42,000 in additional insurance expenses.

Interest expense decreased 24% and 27% for the three and nine month periods, respectively, as a result of lower average debt balances and lower interest rates.

The Company increased the net deferred tax asset during the quarter by $263,000 for general business tax credits through a reduction of the tax valuation allowance. These tax credits, expiring between 2000 and 2001, will be available for utilization prior to expiration due to increased taxable income in recent years. The Company believes that it is more likely than not that these credits will be realized. This benefit is included in the provision for income tax for the quarter and the nine months.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations totaled $3,397,000 for the first nine 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 nine months ended March 29, 1998, 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 pay dividends of $1,530,000 on the Company's common stock and to repurchase 343,291 shares of its own common stock for $1,710,000.

The Company is in the final stages of evaluating software vendors to replace its existing financial and distribution operating software. In addition to providing improved computing capacity and technological capabilities, the new system will be Year 2000 compliant. Installation of new hardware will be completed by December 1998 with implementation of the new software to be phased in by June 1999.

During the nine 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. Effective March 1998, the Company resold an area development Territory covering certain counties in Tennessee and Kentucky for $986,000 and recognized a gain on the sale of the asset in the amount of $125,000. In connection with this transaction, the area developer's lender has received a pledge of all royalties and franchise fees payable to the area developer as security for the area developer's monthly note payments. In the event of a payment default, the Company has a contingent guarantee for any monthly note payment shortfall after application of such royalties and franchise fees which is not paid by the area developer or from his other collateral. These area development agreements, along with other agreements signed during the last five years, contain development commitments for a significant number of additional units over the next four 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 $15.6 million and expire in 2005) to reduce its federal tax liability from the 34% tax rate 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 ($7.2 million as of March 29, 1998) without reliance on material, non-routine income. Taxable income in future years at the same level as fiscal 1997 would be sufficient for full realization of the net tax asset.

"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

None.

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/Nancy Deemer
Nancy Deemer
Controller and
Principal Accounting Officer

Dated: May 13, 1998

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