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NOBLE ROMANS INC
Form 10-Q
August 13, 2012

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act
of 1934 For the quarterly period ended June 30, 2012

Commission file number: 0-11104

NOBLE ROMAN'S, INC.
(Exact name of registrant as specified in its charter)

Indiana
(State or other jurisdiction
of organization)

35-1281154
(I.R.S. Employer
Identification No.)

One Virginia Avenue, Suite 300
Indianapolis, Indiana
(Address of principal executive offices)

46204
(Zip Code)

(317) 634-3377
(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 for 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

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Indicate by check mark whether the registrant has submitted electronically and
posted on its corporate web site, if any, every Interactive Data File required
to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section
232.405 of this chapter) during the preceding 12 months (or for such shorter
period that the registrant was required to submit and post such files).
Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an
accelerated filer, a non-accelerated filer, or a smaller reporting company. See
the definitions of "large accelerated filer," "accelerated filer" and "smaller
reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer
Non-Accelerated Filer
(do not check if
smaller reporting company)

Accelerated Filer
Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in
Rule 12b-2 of the Exchange Act). Yes No

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As of August 9, 2012, there were 19,516,589 shares of Common Stock, no par
value, outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

The following unaudited condensed consolidated financial statements are included herein:

| | |
|---|--------|
| Condensed consolidated balance sheets as of December 31, 2011 and June 30, 2012 (unaudited) | Page 3 |
| Condensed consolidated statements of operations for the six months ended June 30, 2011 and 2012 (unaudited) | Page 4 |
| Condensed consolidated statements of changes in stockholders' equity for the three and six months ended June 30, 2012 (unaudited) | Page 5 |
| Condensed consolidated statements of cash flows for the six months ended June 30, 2011 and 2012 (unaudited) | Page 6 |
| Notes to condensed consolidated financial statements (unaudited) | Page 7 |

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Noble Roman's, Inc. and Subsidiaries Condensed Consolidated Balance Sheets (Unaudited)

| | December 31, 2011 |
|--|----------------------|
| | ----- |
| Assets | |
| Current assets: | |
| Cash | \$ 233,296 |
| Accounts and notes receivable - net | 884,811 |
| Inventories | 338,447 |
| Assets held for resale | 252,552 |
| Prepaid expenses | 278,718 |
| Deferred tax asset - current portion | 1,400,000 |
| | ----- |
| Total current assets | 3,387,824 |
| | ----- |
| Property and equipment: | |
| Equipment | 1,147,109 |
| Leasehold improvements | 12,283 |
| | ----- |
| | 1,159,392 |
| Less accumulated depreciation and amortization | 851,007 |
| | ----- |
| Net property and equipment | 308,385 |
| Deferred tax asset (net of current portion) | 9,613,399 |

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| | |
|--|---------------|
| Other assets | 3,914,523 |
| | ----- |
| Total assets | \$ 17,224,131 |
| | ===== |
| Liabilities and Stockholders' Equity | |
| Current liabilities: | |
| Current portion of long-term note payable to bank | \$ 3,575,000 |
| Accounts payable and accrued expenses | 665,054 |
| | ----- |
| Total current liabilities | 4,240,054 |
| | ----- |
| Long-term obligations: | |
| Note payable to bank (net of current portion) | -- |
| Note payable to officer | 1,255,821 |
| | ----- |
| Total long-term liabilities | 1,255,821 |
| | ----- |
| Stockholders' equity: | |
| Common stock - no par value (25,000,000 shares authorized, 19,469,317 issued and outstanding as of December 31, 2011 and 19,489,317 as of June 30, 2012) | 23,239,976 |
| Preferred stock (5,000,000 shares authorized and 20,625 issued and outstanding as of December 31, 2011 and June 30, 2012) | 800,250 |
| Accumulated deficit | (12,311,970) |
| | ----- |
| Total stockholders' equity | 11,728,256 |
| | ----- |
| Total liabilities and stockholders' equity | \$ 17,224,131 |
| | ===== |

See accompanying notes to condensed consolidated financial statements.

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Noble Roman's, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------|--------------------------------|--------------|------------------------------|--------------|
| | 2011 | 2012 | 2011 | 2012 |
| | ----- | ----- | ----- | ----- |
| Royalties and fees | \$ 1,731,802 | \$ 1,767,414 | \$ 3,406,589 | \$ 3,406,589 |
| Administrative fees and other | 11,018 | 5,496 | 19,395 | 19,395 |
| Restaurant revenue | 137,670 | 120,680 | 256,522 | 256,522 |
| | ----- | ----- | ----- | ----- |
| Total revenue | 1,880,490 | 1,893,590 | 3,682,506 | 3,682,506 |
| Operating expenses: | | | | |
| Salaries and wages | 247,497 | 253,524 | 485,140 | 485,140 |
| Trade show expense | 93,247 | 123,127 | 183,247 | 183,247 |
| Travel expense | 52,589 | 45,459 | 99,474 | 99,474 |
| Other operating expenses | 176,290 | 172,008 | 355,230 | 355,230 |
| Restaurant expenses | 129,903 | 113,029 | 248,467 | 248,467 |
| Depreciation and amortization | 36,311 | 28,561 | 49,860 | 49,860 |

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| | | | | |
|--|------------|------------|------------|-------|
| General and administrative | 403,430 | 392,670 | 811,818 | |
| | ----- | ----- | ----- | ----- |
| Total expenses | 1,139,267 | 1,128,378 | 2,233,236 | 2, |
| | ----- | ----- | ----- | ----- |
| Operating income | 741,223 | 765,212 | 1,449,270 | 1, |
| Interest and other expense | 97,207 | 198,692 | 195,859 | |
| | ----- | ----- | ----- | ----- |
| Income before income taxes | 644,016 | 566,520 | 1,253,411 | 1, |
| Income tax expense | 255,097 | 224,398 | 496,478 | |
| | ----- | ----- | ----- | ----- |
| Net income | 388,919 | 342,122 | 756,933 | |
| Cumulative preferred dividends | 24,411 | 24,683 | 49,364 | |
| | ----- | ----- | ----- | ----- |
| Net income available to common stockholders | \$ 364,508 | \$ 317,439 | \$ 707,569 | \$ |
| | ===== | ===== | ===== | ===== |
| Earnings per share - basic: | | | | |
| Net income | \$.02 | \$.02 | \$.04 | \$ |
| Net income available to common stockholders | \$.02 | \$.02 | \$.04 | \$ |
| Weighted average number of common shares outstanding | 19,469,317 | 19,489,317 | 19,446,113 | 19, |
| Diluted earnings per share: | | | | |
| Net income | \$.02 | \$.02 | \$.04 | \$ |
| Net income available to common stockholders | \$.02 | \$.02 | \$.04 | \$ |
| Weighted average number of common shares outstanding | 20,183,876 | 20,041,048 | 20,160,672 | 20, |

See accompanying notes to condensed consolidated financial statements.

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Noble Roman's, Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in
Stockholders' Equity
(Unaudited)

| | Preferred Stock | Common Shares | Stock Amount | Accumulated Deficit |
|---|-----------------|---------------|---------------|---------------------|
| | ----- | ----- | ----- | ----- |
| Balance at December 31, 2011 | \$ 800,250 | 19,469,317 | \$ 23,239,976 | \$(12,311,970) |
| Net income for six months ended June 30, 2012 | | | | 707,201 |
| Cumulative preferred dividends | | | | (49,636) |
| Exercise of employee stock options | | 20,000 | 7,200 | |
| Amortization of value of stock options | | | 51,394 | |

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| | | | | |
|--------------------------|------------|------------|---------------|-----------------|
| | ----- | ----- | ----- | ----- |
| Balance at June 30, 2012 | \$ 800,250 | 19,489,317 | \$ 23,298,570 | \$ (11,654,405) |
| | ===== | ===== | ===== | ===== |

See accompanying notes to condensed consolidated financial statements.

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Noble Roman's, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

| | Six Months Ended June 30, | 2011 | 2012 |
|---|---------------------------|-----------|-------------|
| | ----- | ----- | ----- |
| OPERATING ACTIVITIES | | | |
| Net income | \$ | 756,933 | \$ 707,201 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | | 106,112 | 109,396 |
| Deferred income taxes | | 496,478 | 463,856 |
| Changes in operating assets and liabilities: | | | |
| Increase in: | | | |
| Accounts and notes receivable | | (242,926) | (240,242) |
| Inventories | | (1,216) | (73,203) |
| Prepaid expenses | | (97,290) | (123,233) |
| Other assets | | (454,990) | (211,186) |
| Decrease in: | | | |
| Accounts payable and accrued expenses | | (28,551) | (79,066) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | 534,550 | 553,523 |
| | | ----- | ----- |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | | (4,196) | (8,797) |
| Investment in assets held for sale | | (3,393) | -- |
| NET CASH USED IN INVESTING ACTIVITIES | | (7,589) | (8,797) |
| | | ----- | ----- |
| FINANCING ACTIVITIES | | | |
| Payment of obligations from discontinued operations | | (379,642) | (337,777) |
| Payment of cumulative preferred dividends | | (49,364) | (49,636) |
| Payment of principal outstanding under prior bank loan | | (305,801) | (3,575,000) |
| Payment of principal outstanding due officer | | -- | (1,255,821) |
| Net proceeds from new bank loan | | -- | 4,812,457 |
| Payment of principal outstanding under new bank loan | | -- | (104,167) |
| Payment of alternative minimum tax | | -- | (34,515) |
| Proceeds from the exercise of employee stock options | | 18,000 | 7,200 |
| Principal payment received on notes receivable | | 29,947 | -- |
| Proceeds from officer loan | | 50,000 | -- |
| NET CASH USED IN FINANCING ACTIVITIES | | (636,860) | (537,259) |
| | | ----- | ----- |

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| | | |
|-----------------------------|------------|------------|
| Increase (decrease) in cash | (109,899) | 7,467 |
| Cash at beginning of period | 337,044 | 233,296 |
| Cash at end of period | \$ 227,145 | \$ 240,763 |

Supplemental schedule of non-cash investing and financing activities

None.

| | | |
|------------------------|------------|------------|
| Cash paid for interest | \$ 173,456 | \$ 155,184 |
|------------------------|------------|------------|

See accompanying notes to condensed consolidated financial statements.

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Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 - The accompanying unaudited interim condensed consolidated financial statements, included herein, have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated statements have been prepared in accordance with the Company's accounting policies described in the Annual Report on Form 10-K for the year ended December 31, 2011 and should be read in conjunction with the audited consolidated financial statements and the notes thereto included in that report. Unless the context indicates otherwise, references to the "Company" mean Noble Roman's, Inc. and its subsidiaries.

In the opinion of the management of the Company, the information contained herein reflects all adjustments necessary for a fair presentation of the results of operations and cash flows for the interim periods presented and the financial condition as of the dates indicated, which adjustments are of a normal recurring nature. The results for the six-month period ended June 30, 2012 are not necessarily indicative of the results to be expected for the full year ending December 31, 2012.

Note 2 - On May 15, 2012, the Company entered into a Credit Agreement with BMO Harris Bank, N.A. for a term loan in the amount of \$5.0 million which is repayable in 48 equal monthly principal installments of \$104,000 plus interest commencing on June 15, 2012 with a final payment due on May 15, 2016. Interest on the unpaid principal balance is payable at a rate per annum of LIBOR plus 4%. The proceeds from the term loan, net of certain fees and expenses associated with obtaining the term loan, were used to repay existing indebtedness to Wells Fargo Bank, N.A. and to an officer of the Company. The Company's obligations under the term loan are secured by the grant of a security interest in essentially all assets of the Company and a personal guaranty of an officer of up to \$1.2 million of the term loan and certain restrictions apply such as a prohibition on the payment of dividends, as defined in the Credit Agreement.

Note 3 - Royalties and fees include \$50,000 and \$125,000 for the three-month and six-month periods ended June 30, 2012, and \$75,000 and \$127,000 for the three-month and six-month periods ended June 30, 2011, respectively, of initial

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franchise fees. Royalties and fees included \$13,000 and \$23,000 for the three-month and six-month periods ended June 30, 2012, and \$8,000 and \$18,000 for the three-month and six-month periods ended June 30, 2011, respectively, of equipment commissions. Royalties and fees, less initial franchise fees and equipment commissions were \$1.7 million and \$3.3 million for the three-month and six-month periods ended June 30, 2012 and \$1.6 million and \$3.3 million for the three-month and six-month periods ended June 30, 2011, respectively. The breakdown of royalties and fees, less upfront fees, are royalties and fees from non-traditional franchises other than grocery stores were \$1.2 million and \$2.2 million for the three-month and six-month periods ended June 30, 2012, and \$1.1 million and \$2.2 million for the three-month and six-month periods ended June 30, 2011, respectively; royalties and fees from the grocery store take-n-bake were \$371,000 and \$695,000 for the three-month and six-month periods ended June 30, 2012, and \$265,000 and \$548,000 for the three-month and six-month periods ended June 30, 2011, respectively; and royalties and fees from traditional locations were \$180,000 and \$461,000 for the three-month and six-month periods ended June 30, 2012, and \$272,000 and \$551,000 for the three-month and six-month periods ended June 30, 2011, respectively. The Company has no material amount of past due royalties.

There were 1,331 franchises/licenses in operation on June 30, 2011 and 1,710 franchises/licenses in operation on June 30, 2012. During the twelve-month period ended June 30, 2012 there was 394 new outlets opened and 15 outlets

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closed. The breakdown of the 1,710 franchises at June 30, 2012 was 756 non-traditional franchises other than grocery stores, 912 grocery stores and 42 traditional franchises. In the ordinary course, grocery stores from time to time add products, remove and subsequently re-offer them. Therefore, it is unknown if any grocery store licenses have left the system.

Note 4 - The following table sets forth the calculation of basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2012:

| | Three Months Ended June 30, 2012 | | |
|--|----------------------------------|-------------------------|---------------------|
| | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
| Net income | \$ 342,122 | 19,489,317 | \$.02 |
| Less preferred stock dividends | 24,683 | | |
| | ----- | | |
| Earnings per share - basic | | | |
| Income available to common stockholders | 317,439 | | .02 |
| Effect of dilutive securities | | | |
| Options | | 185,065 | |
| Convertible preferred stock | 24,683 | 366,666 | |
| | ----- | ----- | |
| Diluted earnings per share | | | |
| Income available to common stockholders and assumed conversions | \$ 342,122 | 20,041,048 | \$.02 |
| | ----- | ----- | ----- |

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| | Six Months Ended June 30, 2012 | | |
|--|--------------------------------|-------------------------|---------------------|
| | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
| Net income | \$ 707,201 | 19,483,383 | \$.04 |
| Less preferred stock dividends | 49,636 | | |
| | ----- | | |
| Earnings per share - basic | | | |
| Income available to common stockholders | 657,565 | | .03 |
| Effect of dilutive securities | | | |
| Options | | 185,065 | |
| Convertible preferred stock | 49,636 | 366,666 | |
| | ----- | ----- | |
| Diluted earnings per share | | | |
| Income available to common stockholders and assumed conversions | \$ 707,201 | 20,035,114 | \$.03 |
| | ===== | ===== | ===== |

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The following table sets forth the calculation of basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2011:

| | Three Months Ended June 30, 2011 | | |
|--|----------------------------------|-------------------------|---------------------|
| | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
| Net income | \$ 388,919 | 19,469,317 | \$.02 |
| Less preferred stock dividends | (24,411) | | |
| | ----- | | |
| Earnings per share - basic | | | |
| Income available to common stockholders | 364,508 | | .02 |
| Effect of dilutive securities | | | |
| Options | | 347,893 | |
| Convertible preferred stock | 24,411 | 366,666 | |
| | ----- | ----- | |
| Diluted earnings per share | | | |
| Income available to common stockholders and assumed conversions | \$ 388,919 | 20,183,876 | \$.02 |
| | ===== | ===== | ===== |

Six Months Ended June 30, 2011

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| | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
|--|-----------------------|-------------------------|---------------------|
| Net income | \$ 756,933 | 19,446,113 | \$.04 |
| Less preferred stock dividends | (49,364) | | |
| <hr/> | | | |
| Earnings per share - basic | | | |
| Income available to common stockholders | 707,569 | | .04 |
| | | | |
| Effect of dilutive securities | | | |
| Options | | 347,893 | |
| Convertible preferred stock | 49,364 | 366,666 | |
| <hr/> | | | |
| Diluted earnings per share | | | |
| Income available to common stockholders and assumed conversions | \$ 756,933 | 20,160,672 | \$.04 |
| <hr/> | | | |

Note 5 - The Company is a Defendant in a lawsuit styled Kari Heyser, Fred Eric Heyser and Meck Enterprises, LLC, et al v. Noble Roman's, Inc. et al, filed in Superior Court in Hamilton County, Indiana in June 2008. The Court issued an Order dated December 23, 2010 granting summary judgment in favor of the Company against all of the Plaintiffs. As a result, the Plaintiffs' allegations of fraud against the Company and certain of its officers were determined to be without merit. Plaintiffs filed numerous motions and an appeal to the Indiana Court of Appeals, in an attempt to reverse the December 23, 2010 summary judgment. All of the motions were denied and the Indiana Court of Appeals dismissed the appeal with prejudice. Plaintiffs' last attempt to vacate the summary judgment award was their attempt to vacate the Order on the grounds of misconduct of third parties. On December 1, 2011, the Judge denied their motion and specifically found "that there was absolutely no evidence of misconduct" and the Court admonished Plaintiffs and Plaintiffs' counsel for making such unfounded allegations. The fraud charges against the Company and certain of its officers are dismissed entirely and Plaintiffs have no appeal rights remaining. The Company then filed a motion for sanctions against the Plaintiffs and their attorney for the frivolous filings. On February 28, 2012, the Court granted the Company's request for sanctions and ordered the Plaintiffs and their attorney to pay the Company \$8,326 by April 23, 2012. The Plaintiffs filed a motion to

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reconsider and the hearing was held on May 23, 2012. The Judge denied their motion and ordered Plaintiffs and Plaintiffs' counsel to pay those sanctions within 14 days, which made the payment due on June 7, 2012. Sanctions were not paid and the Company filed a motion for contempt of court or to show cause. The Judge gave the Plaintiffs until July 5, 2012 to respond to that motion. The Plaintiffs filed a response but the Plaintiffs' counsel did not respond. The Company does not believe that the Plaintiffs' response was responsive to the contempt charge and, therefore, the Company filed a reply asking the Court to rule on the contempt charge against Plaintiffs' counsel and to point out that the Plaintiffs' response was not responsive to the Company's contempt motion and moved the Court to impose additional sanctions. The Company's counterclaims against the Plaintiffs for breach of contract remain pending as to amount of damages, however the Company has been granted summary judgment as to liability.

The Complaint was originally against the Company and certain officers and

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institutional lenders. The Plaintiffs are former franchisees of the Company's traditional location venue. The Plaintiffs alleged that the Defendants fraudulently induced them to purchase franchises for traditional locations through misrepresentations and omissions of material facts regarding the franchises. In addition to the above claims, one group of franchisee-Plaintiffs in the same case had asserted a separate claim under the Indiana Franchise Act as to which the Court's Order denied the Company's motion for summary judgment as the Court determined that there is a genuine issue of material facts but did not render any opinion on the merits of the claim. The Company denies any liability on the Indiana Franchise Act claim and will continue to vigorously defend against this claim.

The Company filed counterclaims for damages for breach of contract against all of the Plaintiffs in the approximate amount of \$3.6 million plus attorneys' fees, interest and other costs of collection, or a total of over \$5 million. On September 21, 2011, the Company filed motions for partial summary judgment as to liability against the Plaintiffs on the Company's counterclaims. As a result, the Company was granted partial summary judgment as to liability against the Plaintiffs/Counterclaim-Defendants on the Company's counterclaims against the Plaintiffs. In this partial summary judgment, the Court determined that the Plaintiffs were liable to the Company for direct damages and consequential damages, including future royalties, for breach of their franchise agreements. In addition, the Court determined that, as a matter of law, Noble Roman's was entitled to recover attorneys' fees associated with obtaining preliminary injunctions, fees resulting from the prosecution of Noble Roman's counterclaims and fees for defending against fraud claims against the Company and certain of its officers. The amount of the award is to be determined at trial. The Company moved the Court to order mandatory mediation as to the Indiana Franchise Act claim and the Company's counterclaim for damages. The Court ordered mediation, which is set for September 14, 2012 with all Plaintiffs required to appear.

Note 6: The Company evaluated subsequent events through the date the financial statements were issued and filed with the SEC. There were no subsequent events that required recognition or disclosure beyond what is disclosed in this report.

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

General Information

Noble Roman's, Inc., an Indiana corporation incorporated in 1972 with two wholly-owned subsidiaries, Pizzaco, Inc. and N.R. Realty, Inc., sells and services franchises and licenses for non-traditional foodservice operations

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under the trade names "Noble Roman's Pizza", "Noble Roman's Take-N-Bake", "Tuscano's Italian Style Subs" and "Tuscano's Grab-N-Go Subs". The concepts' hallmarks include high quality pizza and sub sandwiches, along with other related menu items, simple operating systems, fast service times, labor-minimizing operations, attractive food costs and overall affordability. Since 1997, the Company has focused its efforts and resources primarily on franchising and licensing for non-traditional locations and now has awarded franchise and/or license agreements in 49 states plus Washington, D.C., Puerto Rico, the Bahamas, Italy and Canada. Although from 2005 to 2007 the Company sold some franchises for its concepts in traditional restaurant locations, the Company is currently focusing its sales efforts primarily on (1) selling franchises for non-traditional locations primarily in convenience stores and entertainment facilities and (2) license agreements for grocery stores to sell

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the Noble Roman's Take-n-Bake Pizza. The Company has recently developed a stand-alone take-n-bake pizza prototype and has entered into agreements with two separate existing independent franchisees to open a total of four such units in the upcoming months. Pizzaco, Inc. is the owner and operator of the two Company locations used for testing and demonstration purposes. The Company has no plans to operate any other locations.

Products & Systems

The Company's non-traditional franchises provide high-quality products, simple operating systems, labor minimizing operations and attractive food costs.

Noble Roman's Pizza

The hallmark of Noble Roman's Pizza is "Superior quality that our customers can taste." Every ingredient and process has been designed with a view to produce superior results.

- o Crust made with only specially milled flour with above average protein and yeast.
- o Fresh packed, uncondensed sauce made with secret spices, parmesan cheese and vine-ripened tomatoes.
- o 100% real cheese blended from mozzarella and Muenster, with no soy additives or extenders.
- o 100% real meat toppings, again with no additives or extenders - a distinction compared to many pizza concepts.
- o Vegetable and mushroom toppings that are sliced and delivered fresh, never canned.
- o An extended product line that includes breadsticks and cheesy stix with dip, pasta, baked sandwiches, salads, wings and a line of breakfast products.
- o A fully-prepared pizza crust that captures the made-from-scratch pizzeria flavor which gets delivered to the franchise location shelf-stable so that dough handling is no longer an impediment to a consistent product.

Noble Roman's Take-N-Bake

The Company developed a take-n-bake version of its pizza as an addition to its menu offerings. The take-n-bake pizza is designed as an add-on component for new and existing convenience stores and as a stand-alone offering for grocery stores. The take-n-bake program in grocery stores is being offered as a license agreement rather than a franchise agreement. In convenience stores, take-n-bake is an available menu offering under the existing franchise agreement. The Company has recently developed a stand-alone take-n-bake pizza prototype and has entered into agreements with two separate existing independent franchisees to open a total of four such units in the upcoming months. The Company uses the same high quality pizza ingredients for its take-n-bake pizza as with its standard pizza, with slight modifications to portioning for increased home baking performance.

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Tuscano's Italian Style Subs

Tuscano's Italian Style Subs is a separate restaurant concept that focuses on sub sandwich menu items. Tuscano's was designed to be comfortably familiar from a customer's perspective but with many distinctive features that include an Italian-themed menu. The franchise fee and ongoing royalty for a Tuscano's is identical to that charged for a Noble Roman's Pizza franchise. For the most

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part, the Company awards Tuscano's franchises for some of the same facilities as Noble Roman's Pizza franchises, although Tuscano's franchises are also available for locations that do not have a Noble Roman's Pizza franchise.

Tuscano's Grab-N-Go Subs

Noble Roman's has developed a grab-n-go service system for a selected portion of the Tuscano's menu. The grab-n-go system is designed to add sales opportunities at existing non-traditional Noble Roman's Pizza and/or Tuscano's Subs locations. Franchisees that opened prior to the development of the grab-n-go service system may add it as an option. The grab-n-go system has already been integrated into the operations of several existing locations and is now available to all franchisees. New, non-traditional franchisees have the opportunity to open with both take-n-bake pizza and grab-n-go subs when they acquire a Noble Roman's franchise or license.

Business Strategy

The Company's business strategy includes in the following four elements:

1. Focus on revenue expansion through two primary growth vehicles:

Sales of Non-Traditional Franchises and Licenses. The Company believes that in today's macroeconomic circumstances, it has an opportunity for increasing unit growth and revenue within its non-traditional venues, particularly with convenience stores, travel plazas and entertainment facilities. The Company's franchises in non-traditional locations are foodservice providers within a host business, and usually require a substantially less investment compared to a stand-alone traditional location. Non-traditional franchises and licenses are most often sold into pre-existing facilities as a service and/or revenue enhancer for the underlying business. Although the Company's current focus is on non-traditional franchise or license expansion, the Company will still seek to capitalize on other franchising opportunities as they present themselves.

As a result of the Company's major focus being on non-traditional franchising and licensing, its requirements for overhead and operating costs are significantly less than if it were focusing on traditional franchising. In addition, the Company does not operate restaurants except for two restaurants it uses for product testing, demonstration and training purposes. This allows for a more complete focus on selling and servicing franchises and licenses to pursue increased unit growth.

Licensing and Franchising the Company's Take-N-Bake Program. In September 2009, the Company introduced a take-n-bake pizza as an addition to its menu offering. The take-n-bake pizza is designed as a stand-alone offering for grocery stores, an add-on component for new and existing convenience store franchisees or licensees and or stand-alone franchise locations. Since September 2009, when the Company started offering take-n-bake pizza to grocery store chains, through August 9, 2012, the Company has signed agreements for 1,206 grocery store locations to operate the take-n-bake pizza program and has opened take-n-bake pizza in approximately 945 of those locations. The Company is currently in

discussions with numerous grocery store operators for additional take-n-bake locations. Beginning in August 2011, the Company introduced six new "Signature Specialty Take-N-Bake Pizza" combinations to its current standard offerings. These pizzas feature unique, fun combinations of ingredients with proven customer appeal in other Company venues, and include Hawaiian pizza, Four Cheese pizza, BBQ Pork pizza, BBQ Chicken pizza, Hoppin' Jalapeno pizza and Parmesan

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Tomato pizza. The Company's strategy with these new combinations is to secure more shelf space in existing locations, to add to the appeal of the program in order to attract new locations, and to generally increase sales of the Company's products.

To further accelerate the growth of take-n-bake pizza in grocery stores, the Company has focused on signing agreements with various grocery store distributors to market the take-n-bake pizza program to the distributors' current customer base. As of August 9, 2012, the Company had signed 12 grocery distributors to the program, and continues to pursue others as well.

2. Leverage the results of extensive research and development advances.

The Company has invested a great deal in the time and effort to create what it considers to be competitive advantages in its product and systems for non-traditional and grocery take-n-bake locations. The Company will continue to make these investments the focal point in its marketing process. The Company believes that the quality of its products, the cost-effectiveness of those products, its relatively simple production and service systems, and its diverse, modularized menu offerings all contribute to the Company's strategic advantages and growth potential. Every ingredient and process was designed with a view to producing superior results. The menu items were developed to be delivered in a ready-to-use form requiring only on-site assembly and baking except for take-n-bake pizza, which is sold to bake at home, and the new carton-to-shelf retail items which require no assembly. The Company believes this process results in products that are great tasting, quality consistent, easy to assemble, and relatively low in food cost, and which require very low amounts of labor, and allow for a significant competitive advantage due to the speed at which its products can be prepared, baked and served to customers.

For example, in convenience stores and travel plazas, at competitive retail prices, the margins on selling Noble Roman's products, after cost of product and royalty, provides franchisees with a gross margin on the sales of approximately 65% to 70%. The Company believes it maintains a competitive advantage in product cost by using carefully selected independent third-party manufacturers and independent third-party distributors. This allows the Company to contract for proprietary products and services with highly efficient suppliers that have the potential of keeping costs extremely low when compared to typical, competing systems whereby the franchisor attempts to own and operate production and distribution systems of their own much less efficiently.

3. Expand the Company's overall capacity to generate new franchises and licenses.

The Company's Chairman and CEO has assumed the lead position at all of the Company's trade shows across the country, which is the primary means for demonstrating its product and system advantages to thousands of prospective non-traditional and grocery operators. This focus by the Company's CEO has underscored the Company's current, overriding orientation towards new revenue generation.

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4. Aggressively communicate the Company's competitive advantages to its target market of potential franchisees and licensees.

The Company utilizes four basic methods of reaching potential franchisees and licensees and to communicate its product and system advantages. These methods include: 1) calling from both acquired and in-house prospect lists; 2) frequent direct mail campaigns to targeted prospects; 3) web-based lead capturing; and 4)

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live demonstrations at trade and food shows. In particular, the Company has found that conducting live demonstrations of its systems and products at carefully selected trade and food shows across the country allows it to demonstrate advantages that can otherwise be difficult for a potential prospect to visualize. There is no substitute for actually tasting the difference in a product's quality to demonstrate the advantages of the Company's product quality. The Company carefully selects the national and regional trade and food shows where it either has an existing relationship or considerable previous experience to expect that they offer opportunities for fruitful lead generation.

Business Operations

Distribution

Primarily all of the Company's products are manufactured pursuant to the Company's recipes and formulas by third-party manufacturers pursuant to contracts between the Company and the various manufacturers. The contracts require the manufacturers to produce various ingredients and sell them to Company-approved distributors at a price negotiated between the Company and the manufacturer.

At present, the Company has distribution agreements with 11 primary distributors strategically located throughout the United States. The distribution agreements require the primary distributors to maintain adequate inventories of all ingredients to meet the needs of the Company's franchisees and licensees for weekly deliveries to the franchisee/licensee locations plus the grocery store distributors in their respective territories. The primary distributors purchase the ingredients from the manufacturer, under payment terms agreed upon by the manufacturer and the distributor, and distribute the ingredients to the franchisee/licensee at a price fixed by the distribution agreement, which is their landed cost plus a contracted mark-up for distribution. Payment terms to the distributor are agreed upon between each franchisee/licensee and the respective distributor. In addition, the Company has agreements with 12 grocery store distributors located in various parts of the country which are required to buy their products from one of the primary distributors to distribute take-n-bake products to their grocery store customers.

Franchising

The Company sells franchises into various non-traditional and traditional venues.

The initial franchise fee is as follows:

| Franchise | Non-Traditional, except Hospitals | Hospitals | Traditional Stand-Alone |
|---------------------------------------|--------------------------------------|-----------|----------------------------|
| Noble Roman's Pizza | \$ 6,000 | \$10,000 | \$15,000 |
| Tuscano's Subs | \$ 6,000 | \$10,000 | \$15,000 |
| Noble Roman's & Tuscano's | \$10,000 | \$18,000 | \$18,000 |
| Noble Roman's Stand-Alone Take-N-Bake | | | \$15,000 |

The franchise fees are paid upon signing the franchise agreement and, when paid, are deemed fully earned and non-refundable in consideration of the administration and other expenses incurred by the Company in granting the franchises and for the lost and/or deferred opportunities to grant such franchises to any other party.

Licensing

Noble Roman's Take-n-Bake Pizza licenses for grocery stores are governed by a supply agreement. The supply agreement generally requires the licensee to: purchase proprietary ingredients from a Noble Roman's-approved distributor; assemble the products using only Noble Roman's approved ingredients and recipes; package the products using shrink wrap; place the products in Noble Roman's Pizza boxes; and display products in a manner approved by Noble Roman's using Noble Roman's point-of-sale marketing materials. Pursuant to the distribution agreements, the distributors place an additional mark-up, as determined by the Company, above their normal selling price, on the key ingredients for a fee to the Company in lieu of royalty. The distributors are to segregate this additional mark-up upon invoicing the licensee and hold the amount in trust for the Company and remit such fees to the Company within ten days after the end of each month.

Financial Summary

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates. The Company periodically evaluates the carrying values of its assets, including property, equipment and related costs, accounts receivable and deferred tax asset, to assess whether any impairment indications are present due to (among other factors) recurring operating losses, significant adverse legal developments, competition, changes in demand for the Company's products or changes in the business climate that affect the recovery of recorded value. If any impairment of an individual asset is evident, a charge will be provided to reduce the carrying value to its estimated fair value.

The following table sets forth the percentage relationship to total revenue of the listed items included in Noble Roman's consolidated statements of operations for the three-month and six-month periods ended June 30, 2011 and 2012, respectively.

| Three Months Ended June 30, ----- | | Six Months Ended June 30, ----- | |
|---|------|---------------------------------------|------|
| 2011 | 2012 | 2011 | 2012 |
| ---- | ---- | ---- | ---- |

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| | | | | |
|-------------------------------|--------|--------|--------|--------|
| Royalties and fees | 92.1 % | 93.3 % | 92.5 % | 93.1 % |
| Administrative fees and other | .6 | .3 | .5 | .3 |
| Restaurant revenue | 7.3 | 6.4 | 7.0 | 6.6 |
| | ----- | ----- | ----- | ----- |
| Total revenue | 100.0 | 100.0 | 100.0 | 100.0 |
| | ----- | ----- | ----- | ----- |
| Operating expenses: | | | | |
| Salaries and wages | 13.2 | 13.4 | 13.2 | 13.3 |
| Trade show expense | 5.0 | 6.5 | 5.0 | 6.5 |
| Travel expense | 2.8 | 2.4 | 2.7 | 2.5 |
| Other operating expense | 9.4 | 9.1 | 9.6 | 9.4 |
| Restaurant expenses | 6.9 | 6.0 | 6.7 | 6.2 |
| Depreciation and amortization | 1.8 | 1.5 | 1.4 | 1.6 |
| General and administrative | 21.5 | 20.7 | 22.0 | 21.1 |
| | ----- | ----- | ----- | ----- |
| Total expenses | 60.6 | 59.6 | 60.6 | 60.6 |
| | ----- | ----- | ----- | ----- |
| Operating income | 39.4 | 40.4 | 39.4 | 39.4 |
| Interest and other expense | 5.2 | 10.5 | 5.4 | 7.9 |
| | ----- | ----- | ----- | ----- |
| Income before income taxes | 34.2 | 29.9 | 34.0 | 31.5 |
| Income tax expense | 13.5 | 11.9 | 13.4 | 12.4 |
| | ----- | ----- | ----- | ----- |
| Net income | 20.7 % | 18.0 % | 20.6 % | 19.1 % |
| | ===== | ===== | ===== | ===== |

Results of Operations

Total revenue increased from \$1.88 million to \$1.89 million and from \$3.68 million to \$3.73 million for the three-month and six-month periods ended June 30, 2012 compared to the corresponding periods in 2011. Franchisee fees and equipment commissions ("upfront fees") decreased from \$83,000 to \$63,000 and increased from \$146,000 to \$148,000 during the three-month and six-month periods ended June 30, 2012 compared to the corresponding periods in 2011. Royalties and fees, less upfront fees, increased from \$1.65 million to \$1.70 million and from \$3.26 million to \$3.32 million for the three-month and six-month periods ended June 30, 2012 compared to the corresponding periods in 2011. The breakdown of royalties and fees less upfront fees, royalties and fees from non-traditional franchises other than grocery stores were \$1.15 million and \$2.17 million for the three-month and six-month periods ended June 30, 2012 and \$1.11 million and \$2.16 million for the three-month and six-month periods ended June 30, 2011, respectively; royalties and fees from the grocery store take-n-bake were \$371,000 and \$695,000 for the three-month and six-month periods ended June 30, 2012 and \$265,000 and \$548,000 for the three-month and six-month periods ended June 30, 2011, respectively; and royalties and fees from non-traditional locations were \$180,000 and \$461,000 for the three-month and six-month periods ended June 30, 2012 and \$272,000 and \$551,000 for the three-month and six-month periods ended June 30, 2011, respectively. Included in royalties and fees from traditional locations were \$100,000 and \$300,000 for the three-month and six-month periods ended June 30, 2012 and \$200,000 and \$400,000 for the three-month and six-month periods ended June 30, 2011, respectively, for royalties and fees recognized as collectible from traditional locations which are no longer operating.

Restaurant revenue decreased from \$138,000 to \$121,000 and from \$257,000 to \$248,000 for the three-month and six-month periods ended June 30, 2012 compared to the corresponding periods in 2011. The decreases were the result of same

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store sales decreases. The Company only operates two locations used primarily for testing and demonstration purposes.

As a percentage of total revenue, salaries and wages increased from 13.2% to 13.4% and from 13.2% to 13.3% for the three-month and six-month periods ended June 30, 2012 compared to the corresponding periods in 2011. Salaries and wages increased from \$247,000 to \$254,000 and from \$485,000 to \$497,000 for the three-month and six-month periods ended June 30, 2012 compared to the corresponding periods in 2011.

Trade show expenses increased from 5.0% to 6.5% of total revenue for both the three-month and six-month periods ended June 30, 2012, respectively, compared to the corresponding periods in 2011. These increases were the result of scheduling more trade shows for grocery stores. Trade show expenses were \$123,000 and \$244,000 in the three-month and six-month periods ended June 30, 2012 compared to \$93,000 and \$183,000 in the corresponding periods in 2011.

As a percentage of revenue, travel expenses decreased from 2.8% to 2.4% and from 2.7% to 2.5% for the three-month and six-month periods ended June 30, 2012, respectively, compared to the corresponding periods in 2011. Travel expense decreased from \$53,000 to \$45,000 and from \$99,000 and \$94,000 for the three-month and six-month periods ended June 30, 2012 compared to the corresponding periods in 2011. These decreases were the result of carefully scheduling take-n-bake openings in grocery stores throughout the country to minimize travel expenses.

As a percentage of total revenue, other operating expenses decreased from 9.4% to 9.1% and from 9.6% to 9.4% for the three-month and six-month periods ended June 30, 2012, respectively, compared to the corresponding periods in 2011. Operating expenses decreased slightly for both periods in 2012 compared to the corresponding periods in 2011. These decreases were the result of tightly controlling operating costs.

As a percentage of total revenue, restaurant expenses decreased from 6.9% to 6.0% and from 6.7% to 6.2% for the three-month and six-month periods ended June 30, 2012, respectively, compared to the corresponding periods in 2011. These percentage decreases were partially the result of a decrease in restaurant revenue and partially the result of more tightly controlling restaurant expenses. The Company only operates two restaurants which it uses for demonstration, training and testing purposes.

As a percentage of total revenue general and administrative expenses decreased from 21.5% to 20.7% and from 22.0% to 21.1% for the three-month and six-month periods ended June 30, 2012, respectively, compared to the corresponding periods in 2011. General and administrative expense decreased from \$403,000 to \$393,000 and from \$812,000 to \$788,000 for the three-month and six-month periods ended June 30, 2012, respectively, compared to the corresponding periods in 2011. The decrease in general and administrative expenses was the result of tightly controlling those expenses.

As a percentage of total revenue, total expenses decreased from 60.6% to 59.6% for the three-month period ended June 30, 2012 compared to the corresponding period in 2011 and remained the same at 60.6% for the six-month period ended June 30, 2012 and 2011. Expenses decreased from \$1.14 million to \$1.13 million for the three-month periods and increased from \$2.23 million to \$2.27 million for six-month periods ended June 30, 2012 compared to the corresponding periods in 2011. These increases were primarily the result of the increase in trade show expense and a slight increase in salaries and wages offset by decreases in all other expenses.

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As a percentage of total revenue, operating income increased from 39.4% to 40.4% for the three-month period and remained the same at 39.4% for the six-month period ended June 30, 2012 compared to the corresponding periods in 2011. Operating income increased from \$741,000 to \$765,000 and from \$1.45 million to \$1.47 million for the three-month and six-month periods ending June 30, 2012, respectively, compared to the corresponding periods in 2011.

Interest expense increased from \$97,000 to \$199,000 and from \$196,000 to \$295,000 for the three-month and six-month periods ended June 30, 2012 compared to the corresponding periods in 2011. The primary reason for the increase in interest expense was refinancing of the Company's bank debt and borrowing from an officer of the Company with a new bank loan. The Company expensed \$93,000 in unamortized loan closing costs from the origination of the former bank loan at the time the loan was repaid and recorded expense of \$30,000 to terminate the existing interest rate swap agreement related to the loan which was repaid. In the future, interest expense should be approximately \$61,000 per quarter or less as the new loan continues to amortize. For details of the new loan agreement, see Note 2 in the Notes to Condensed Consolidated Financial Statements herein.

Net income decreased from \$389,000 to \$342,000 and from \$757,000 to \$707,000 for the three-month and six-month periods ended June 30, 2012 compared to the corresponding periods in 2011. The increased interest expense, as explained above, more than offset the increased operating income resulting in lower net income.

Liquidity and Capital Resources

The Company's current strategy is to grow its business by concentrating on franchising/licensing new non-traditional locations and licensing grocery stores to sell take-n-bake pizza and other retail products. This strategy is intended to not require any significant increase in expenses. In addition, the Company has previously announced that it has taken the take-n-bake concept, which it has been doing through grocery stores, and created a stand-alone take-n-bake concept for an additional avenue to increase revenue. The strategy will be to franchise that concept which the Company thinks can be done within its existing overhead structure. Additionally, the Company does not operate any restaurants except for two locations for testing and demonstration purposes. This strategy requires limited overhead and operating expense and does not require significant capital investment.

The Company's current ratio was 2.6-to-1 on June 30, 2012 compared to 0.8-to-1 on December 31, 2011. This significant improvement was achieved by refinancing all of its debt into one 48-month term loan and the continued net operating income.

On May 15, 2012, the Company entered into a Credit Agreement with a bank for a term loan in the amount of \$5.0 million which is repayable in 48 equal monthly principal installments of \$104,000 plus interest commencing on June 15, 2012 with a final payment due on May 15, 2016. Interest on the unpaid principal balance is payable at a rate per annum of LIBOR plus 4%. The proceeds from the term loan, net of certain fees and expenses associated with obtaining the term loan, were used to repay existing bank indebtedness and borrowing from an officer of the Company.

As a result of the financial arrangements described above and the Company's cash flow projections, the Company believes it will have sufficient cash flow to meet its obligations and to carry out its current business plan for the foreseeable future. The Company's cash flow projections are based on the Company's strategy of focusing entirely on growth in non-traditional venues and the growth in the

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number of grocery store locations licensed to sell the take-n-bake pizza.

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The Company does not anticipate that any of the recently issued Statement of Financial Accounting Standards will have a material impact on its Statement of Operations or its Balance Sheet.

Forward Looking Statements

The statements contained above in Management's Discussion and Analysis concerning the Company's future revenues, profitability, financial resources, market demand and product development are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) relating to the Company that are based on the beliefs of the management of the Company, as well as assumptions and estimates made by and information currently available to the Company's management. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment, including, but not limited to competitive factors and pricing pressures, non-renewal of franchise agreements, shifts in market demand, general economic conditions, changes in demand for the Company's products or franchises, the success or failure of individual franchisees and changes in prices or supplies of food ingredients and labor, the success of its recently developed stand-alone take-n-bake concept, and the factors discussed under "Risk Factors" as contained in the Company's annual report on Form 10-K. Should one or more of these risks or uncertainties materialize, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

The Company's exposure to interest rate risk relates primarily to its variable-rate debt. As of June 30, 2012, the Company had outstanding variable interest-bearing debt in the aggregate principal amount of \$4.9 million. The Company's current borrowings are at a variable rate tied to the London Interbank Offered Rate ("LIBOR") plus 4% per annum adjusted on a monthly basis. Based on its current debt structure, for each 1% increase in LIBOR the Company would incur increased interest expense of approximately \$42,800 over the succeeding twelve-month period.

ITEM 4. Controls and Procedures

Based on his evaluation as of the end of the period covered by this report, Paul W. Mobley, the Company's Chief Executive Officer and Chief Financial Officer, has concluded that the Company's disclosure controls and procedures and internal controls over financial reporting (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are effective. There have been no changes in internal controls over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

The Company is a Defendant in a lawsuit styled Kari Heyser, Fred Eric Heyser and Meck Enterprises, LLC, et al v. Noble Roman's, Inc. et al, filed in Superior Court in Hamilton County, Indiana in June 2008. The Court issued an Order dated

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December 23, 2010 granting summary judgment in favor of the Company against all of the Plaintiffs. As a result, the Plaintiffs' allegations of fraud against the Company and certain of its officers were determined to be without merit. Plaintiffs filed numerous motions and an appeal to the Indiana Court of Appeals, in an attempt to reverse the December 23, 2010 summary judgment. All of the

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motions were denied and the Indiana Court of Appeals dismissed the appeal with prejudice. Plaintiffs' last attempt to vacate the summary judgment award was their attempt to vacate the Order on the grounds of misconduct of third parties. On December 1, 2011, the Judge denied their motion and specifically found "that there was absolutely no evidence of misconduct" and the Court admonished Plaintiffs and Plaintiffs' counsel for making such unfounded allegations. The fraud charges against the Company and certain of its officers are dismissed entirely and Plaintiffs have no appeal rights remaining. The Company then filed a motion for sanctions against the Plaintiffs and their attorney for the frivolous filings. On February 28, 2012, the Court granted the Company's request for sanctions and ordered the Plaintiffs and their attorney to pay the Company \$8,326 by April 23, 2012. The Plaintiffs filed a motion to reconsider and the hearing was held on May 23, 2012. The Judge denied their motion and ordered Plaintiffs and Plaintiffs' counsel to pay those sanctions within 14 days, which made the payment due on June 7, 2012. Sanctions were not paid and the Company filed a motion for contempt of court or to show cause. The Judge gave the Plaintiffs until July 5, 2012 to respond to that motion. The Plaintiffs filed a response but the Plaintiffs' counsel did not respond. The Company does not believe that the Plaintiffs' response was responsive to the contempt charge and, therefore, the Company filed a reply asking the Court to rule on the contempt charge against Plaintiffs' counsel and to point out that the Plaintiffs' response was not responsive to the Company's contempt motion and moved the Court to impose additional sanctions. The Company's counterclaims against the Plaintiffs for breach of contract remain pending as to amount of damages, however the Company has been granted summary judgment as to liability.

The Complaint was originally against the Company and certain officers and institutional lenders. The Plaintiffs are former franchisees of the Company's traditional location venue. The Plaintiffs alleged that the Defendants fraudulently induced them to purchase franchises for traditional locations through misrepresentations and omissions of material facts regarding the franchises. In addition to the above claims, one group of franchisee-Plaintiffs in the same case had asserted a separate claim under the Indiana Franchise Act as to which the Court's Order denied the Company's motion for summary judgment as the Court determined that there is a genuine issue of material facts but did not render any opinion on the merits of the claim. The Company denies any liability on the Indiana Franchise Act claim and will continue to vigorously defend against this claim.

The Company filed counterclaims for damages for breach of contract against all of the Plaintiffs in the approximate amount of \$3.6 million plus attorneys' fees, interest and other costs of collection, or a total of over \$5 million. On September 21, 2011, the Company filed motions for partial summary judgment as to liability against the Plaintiffs on the Company's counterclaims. As a result, the Company was granted partial summary judgment as to liability against the Plaintiffs/Counterclaim-Defendants on the Company's counterclaims against the Plaintiffs. In this partial summary judgment, the Court determined that the Plaintiffs were liable to the Company for direct damages and consequential damages, including future royalties, for breach of their franchise agreements. In addition, the Court determined that, as a matter of law, Noble Roman's was entitled to recover attorneys' fees associated with obtaining preliminary injunctions, fees resulting from the prosecution of Noble Roman's counterclaims and fees for defending against fraud claims against the Company and certain of

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its officers. The amount of the award is to be determined at trial. The Company moved the Court to order mandatory mediation as to the Indiana Franchise Act claim and the Company's counterclaim for damages. The Court ordered mediation, which is set for September 14, 2012 with all Plaintiffs required to appear.

ITEM 6. Exhibits.

(a) Exhibits: See Exhibit Index appearing on page 22.

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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.

NOBLE ROMAN'S, INC.

Date: August 13, 2012

By: /s/ Paul W. Mobley

Paul W. Mobley, Chairman,
Chief Executive Officer,
Chief Financial Officer
and Principal Accounting Officer
(Authorized Officer and Principal
Financial Officer)

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Index to Exhibits

| Exhibit Number ----- | Description ----- |
|----------------------------|---|
| 3.1 | Amended Articles of Incorporation of the Registrant, filed as an exhibit to the Registrant's Amendment No. 1 to the Post Effective Amendment No. 2 to Registration Statement on Form S-1 filed July 1, 1985 (SEC File No.2-84150), is incorporated herein by reference. |
| 3.2 | Amended and Restated By-Laws of the Registrant, as currently in |

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effect, filed as an exhibit to the Registrant's Form 8-K filed December 23, 2009, is incorporated herein by reference.

- 3.3 Articles of Amendment of the Articles of Incorporation of the Registrant effective February 18, 1992 filed as an exhibit to the Registrant's Registration Statement on Form SB-2 (SEC File No. 33-66850), ordered effective on October 26, 1993, is incorporated herein by reference.
- 3.4 Articles of Amendment of the Articles of Incorporation of the Registrant effective May 11, 2000, filed as Annex A and Annex B to the Registrant's Proxy Statement on Schedule 14A filed March 28, 2000, is incorporated herein by reference.
- 3.5 Articles of Amendment of the Articles of Incorporation of the Registrant effective April 16, 2001 filed as Exhibit 3.4 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.
- 3.6 Articles of Amendment of the Articles of Incorporation of the Registrant effective August 23, 2005, filed as Exhibit 3.1 to the Registrant's current report on Form 8-K filed August 29, 2005, is incorporated herein by reference.
- 4.1 Specimen Common Stock Certificates filed as an exhibit to the Registrant's Registration Statement on Form S-18 filed October 22, 1982 and ordered effective on December 14, 1982 (SEC File No. 2-79963C), is incorporated herein by reference.
- 4.2 Form of Warrant Agreement filed as Exhibit 4.1 to the Registrant's current report on Form 8-K filed August 29, 2005, is incorporated herein by reference.
- 10.1 Employment Agreement with Paul W. Mobley dated January 2, 1999 filed as Exhibit 10.1 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.
- 10.2 Employment Agreement with A. Scott Mobley dated January 2, 1999 filed as Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.
- 10.3 1984 Stock Option Plan filed with the Registrant's Form S-8 filed November 29, 1994 (SEC File No. 33-86804), is incorporated herein by reference.
- 10.4 Noble Roman's, Inc. Form of Stock Option Agreement filed with the Registrant's Form S-8 filed November 29, 1994 (SEC File No. 33-86804), is incorporated herein by reference.
- 10.5 Settlement Agreement with SummitBridge dated August 1, 2005, filed as Exhibit 99.2 to the Registrant's current report on Form 8-K filed August 5, 2005, is incorporated herein by reference.
- 10.6 Loan Agreement with Wells Fargo Bank, N.A. dated August 25, 2005 filed as Exhibit 10.1 to the Registrant's current report on Form 8-K filed August 29, 2005, is incorporated herein by reference.

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- 10.7 First Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated February 4, 2008, filed as Exhibit 10.1 to the Registrant's current report on Form 8-K filed February 8, 2008, is incorporated herein by reference.
- 10.8 Registration Rights Agreement dated August 1, 2005 between the Company and SummitBridge National Investments filed as an Exhibit to the Registrant's Form S-1 filed on April 19, 2006, is incorporated herein by reference.
- 10.9 Second Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated November 10, 2010 filed as Exhibit 10.7 to the Registrant's current report on Form 10-Q filed on November 10, 2010, is incorporated herein by reference.
- 10.10 Third Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated March 10, 2011, filed as Exhibit 10.10 to the Registrant's current report on Form 10-K filed on March 13, 2012, is incorporated herein by reference.
- 10.11 Promissory Note payable to Paul Mobley dated November 1, 2010 filed as Exhibit 10.8 to the Registrant's current report on Form 10-Q filed November 10, 2010, is incorporated herein by reference.
- 10.12 Fourth Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated July 19, 2011, filed as Exhibit 10.12 to the Registrant's current report on Form 10-K filed on March 13, 2012, is incorporated herein by reference.
- 10.13 Fifth Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated October 28, 2011, filed as Exhibit 10.13 to the Registrant's current report on Form 10-K filed on March 13, 2012, is incorporated herein by reference.
- 10.14 Sixth Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated December 1, 2011, filed as Exhibit 10.14 to the Registrant's current report on Form 10-K filed on March 13, 2012, is incorporated herein by reference.
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- 10.15 Seventh Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated January 30, 2012, filed as Exhibit 10.15 to the Registrant's current report on Form 10-K filed on March 13, 2012, is incorporated herein by reference.
- 10.16 Amended Promissory Note to Paul Mobley dated December 21, 2011, filed as Exhibit 10.16 to the Registrant's current report on Form 10-K filed on March 13, 2012, is incorporated herein by reference.
- 10.17 Credit Agreement with BMO Harris Bank, N.A. dated May 15, 2012 filed herewith.
- 10.18 Promissory Note to BMO Harris Bank, N.A. dated May 15, 2012 filed herewith.
- 21.1 Subsidiaries of the Registrant filed in the Registrant's

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Registration Statement on Form SB-2 (SEC File No. 33-66850) ordered effective on October 26, 1993, is incorporated herein by reference.

- 31.1 C.E.O. and C.F.O. Certification under Rule 13a-14(a)/15d-14(a)
- 32.1 C.E.O. and C.F.O. Certification under Section 1350
- 101 Interactive Financial Data