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NOBLE ROMANS INC
Form 10-Q
August 10, 2009

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, 2009

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 X No []

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 [X] No []

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer [] Accelerated Filer []
Non-Accelerated Filer [] Smaller Reporting Company [X]
(do not check if 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 [X]

As of August 6, 2009, there were 19,412,499 shares of Common Stock, no par value, outstanding.

PART I - FINANCIAL INFORMATION

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ITEM 1. Financial Statements

The following unaudited condensed consolidated financial statements are included herein:

Condensed consolidated balance sheets as of December 31, 2008 and June 30, 2009 (unaudited)	Page 3
Condensed consolidated statements of operations for the three months and six months ended June 30, 2008 and 2009 (unaudited)	Page 4
Condensed consolidated statements of changes in stockholders' equity for the year ended December 31, 2008 and six months ended June 30, 2009 (unaudited)	Page 5
Condensed consolidated statements of cash flows for the six months ended June 30, 2008 and 2009 (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)

Assets	December 31, 2008	June 2009
	-----	-----
Current assets:		
Cash	\$ 450,968	\$ 2,100,000
Accounts and notes receivable - net	1,046,545	1,400,000
Inventories	223,024	1,000,000
Assets held for resale	242,690	2,000,000
Prepaid expenses	222,095	2,000,000
Current portion of long-term notes receivable	5,810	
Deferred tax asset - current portion	1,050,500	1,000,000
Total current assets	----- 3,241,632	----- 3,500,000
Property and equipment:		
Equipment	1,206,979	1,200,000
Leasehold improvements	96,512	

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		-----	-----
		1,303,491	1,3
Less accumulated depreciation and amortization		821,422	8
		-----	-----
Net property and equipment		482,069	4
Deferred tax asset (net of current portion)		11,802,637	11,2
Other assets including long-term portion of notes receivable-net		1,752,102	1,7
		-----	-----
Total assets		\$ 17,278,440	\$ 16,9
		=====	=====
	Liabilities and Stockholders' Equity		
Current liabilities:			
Current portion of long-term note payable		\$ 1,500,000	\$ 1,5
Accounts payable and accrued expenses		1,191,116	8
		-----	-----
Total current liabilities		2,691,116	2,3
		-----	-----
Long-term obligations:			
Note payable to bank (net of current portion)		5,625,000	4,8
		-----	-----
Total long-term liabilities		5,625,000	4,8
		-----	-----
Stockholders' equity:			
Common stock - no par value (25,000,000 shares authorized, 19,412,499 issued and outstanding as of December 31, 2008 and June 30, 2009)		23,023,250	23,0
Preferred stock (5,000,000 shares authorized and 20,625 issued and outstanding as of December 31, 2008 and June 30, 2009)		800,250	8
Accumulated deficit		(14,861,176)	(14,0
		-----	-----
Total stockholders' equity		8,962,324	9,7
		-----	-----
Total liabilities and stockholders' equity		\$ 17,278,440	\$ 16,9
		=====	=====

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,	
	-----	-----	-----	-----
	2008	2009	2008	2009
	-----	-----	-----	-----
Royalties and fees	\$ 1,986,932	\$ 1,739,821	\$ 3,935,085	\$ 3,
Administrative fees and other	20,431	24,993	33,872	
Restaurant revenue	414,679	138,742	803,520	
	-----	-----	-----	-----
Total revenue	2,422,042	1,903,556	4,772,477	3,
Operating expenses:				
Salaries and wages	349,007	269,581	730,099	

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Trade show expense	121,311	76,611	244,784	
Travel expense	109,051	33,601	222,632	
Sales commissions	12,425	--	44,113	
Other operating expenses	235,057	196,314	472,531	
Restaurant expenses	389,794	132,802	764,219	
Depreciation and amortization	23,886	20,561	49,205	
General and administrative	420,550	369,357	842,853	
	-----	-----	-----	-----
Total expenses	1,661,081	1,098,827	3,370,436	2,
	-----	-----	-----	-----
Operating income	760,961	804,729	1,402,041	1,
	-----	-----	-----	-----
Interest and other expense	162,011	117,141	316,075	
	-----	-----	-----	-----
Income before income taxes	598,950	687,588	1,085,966	1,
	-----	-----	-----	-----
Income tax expense	203,643	272,354	369,229	
	-----	-----	-----	-----
Net income	395,307	415,234	716,737	
	-----	-----	-----	-----
Cumulative preferred dividends	16,455	16,274	33,090	
	-----	-----	-----	-----
Net income available to common stockholders	\$ 378,852	\$ 398,960	\$ 683,647	\$
	=====	=====	=====	=====
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	19,201,950	19,412,499	19,199,172	19,
Diluted earnings per share:				
Net income	\$.02	\$.02	\$.04	\$
Weighted average number of common shares outstanding	20,350,049	19,909,365	20,347,271	19,

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 Stock		Accumulated Deficit
	-----	Shares	Amount	-----
Balance at December 31, 2008	\$ 800,250	19,412,499	\$ 23,023,250	\$ (14,861,176)
Net income for six months ended June 30, 2009	831,995	831,995		
Cumulative preferred dividends	(32,910)	(32,910)		

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Amortization of value of employee stock options	29,910	29,910		
	-----	-----	-----	-----
Balance at June 30, 2009	\$ 800,250	19,412,499	\$ 23,053,160	\$ (14,062,091)
	=====	=====	=====	=====

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, 2008	2009
	-----	-----
OPERATING ACTIVITIES		
Net income	\$ 716,737	\$ 831,995
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	84,719	94,558
Deferred income taxes	369,229	545,709
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and notes receivable	(470,987)	(445,185)
Inventories	(36,020)	23,127
Prepaid expenses	(123,894)	1,312
Other assets	(7,853)	(75,063)
Increase (decrease) in:		
Accounts payable and accrued expenses	(264,109)	89,355
NET CASH PROVIDED BY OPERATING ACTIVITIES	267,822	1,065,808
	-----	-----
INVESTING ACTIVITIES		
Purchase of property and equipment	(113,589)	(23,699)
Investment in assets held for resale	(1,047,006)	(27)
NET CASH USED IN INVESTING ACTIVITIES	(1,160,595)	(23,726)
	-----	-----

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FINANCING ACTIVITIES		
Payment of obligations from discontinued operations	(55,520)	(451,293)
Payment of cumulative preferred dividends	(33,090)	(32,910)
Payment of principal on outstanding debt	(750,000)	(750,000)
Payments received on long-term notes receivable	99,717	2,851
Proceeds from additional bank borrowings - net of issuance costs	2,975,024	--
Proceeds from the exercise of stock options and warrants	24,950	
	-----	-----
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,261,081	(1,231,352)
	-----	-----
Increase (decrease) in cash	1,368,308	(189,270)
Cash at beginning of period	832,207	450,968
	-----	-----
Cash at end of period	\$ 2,200,515	\$ 261,698
	=====	=====

Supplemental schedule of non-cash investing and financing activities

None.

Cash paid for interest	\$ 289,623	\$ 219,257
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See accompanying notes to condensed consolidated financial statements.

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Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 - The interim condensed consolidated financial statements, included herein, are unaudited, but reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results of operations 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, 2009 are not necessarily indicative of the results to be expected for the full year ending December 31, 2009.

Note 2 - Approximately \$37,000 and \$65,600 are included in royalty and fee income for the three-month and six-month periods ended June 30, 2009, respectively, and approximately \$103,000 and \$238,500 are included in the three-month and six-month periods ended June 30, 2008, respectively, for initial franchise fees. Approximately \$20,338 and \$76,361, and approximately \$96,597 and \$207,072 are included in royalty and fee income for the three-month and six-month periods ended June 30, 2009 and 2008, respectively, for equipment commissions. There were no area development fees in either the three-month or six-month periods in 2009 and there were area development fees of \$104,825 in both the three-month and six-month periods ended June 30, 2008. Royalty and fee income, less initial franchise fees, equipment commissions and area development fees were \$1,682,483 and \$3,357,473, and \$1,682,510 and \$3,384,688 for the three-month and six-month periods ended June 30, 2009 and 2008, respectively. The Company's ongoing royalty income is primarily paid electronically by the Company initiating a draft on the franchisee's account by electronic withdrawal. As such, the Company has no material amount of past due royalties.

Note 3 - The following table sets forth the calculation of basic and diluted earnings per share for the three-month period and six-month period ended June

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30, 2009:

	Three Months Ended June 30, 2009		
	Income	Shares	Per-Share
	-----	-----	-----
	(Numerator)	(Denominator)	Amount
Net income	\$ 415,234	19,412,499	\$.02
Less preferred stock dividends	(16,274)		

Earnings per share - basic			
Income available to common stockholders	398,960		.02
Effect of dilutive securities			
Warrants		--	
Options		130,200	
Convertible preferred stock	16,274	366,666	
	-----	-----	
Diluted earnings per share			
Income available to common stockholders and assumed conversions	\$ 415,234	19,909,365	\$.02

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	Six Months Ended June 30, 2009		
	Income	Shares	Per-Share
	-----	-----	-----
	(Numerator)	(Denominator)	Amount
Net income	\$ 831,995	19,412,499	\$.04
Less preferred stock dividends	(32,910)		

Earnings per share - basic			
Income available to common stockholders	799,085		.04
Effect of dilutive securities			
Warrants		--	
Options		130,200	
Convertible preferred stock	32,910	366,666	
	-----	-----	
Diluted earnings per share			
Income available to common stockholders and assumed conversions	\$ 831,995	19,909,365	\$.04

Note 4 - 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 Plaintiffs are former franchisees of the Company's traditional location format. In addition to

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the Company, the Defendants include certain of the Company's officers and lenders to certain of the Plaintiffs. The Plaintiffs allege that the Defendants induced them to purchase traditional franchises through fraudulent representations and omissions of material facts regarding the franchises, and seek compensatory and punitive damages. Discovery is in progress, but has not yet been completed. Defendants filed the First Request for Production of Documents on February 9, 2009 and certain Plaintiffs produced some documents requested by the Company. However, many of the Plaintiffs produced no documents and the Company, on July 27, 2009, filed a Motion to Compel the production against those Plaintiffs. Depositions have been scheduled for the Plaintiffs during August, September and October. Depositions of the Defendants have been scheduled during August and October. The Company believes that it has strong and meritorious legal and factual defenses to these claims and will vigorously defend its interests in this case.

The Company filed a Counter-Claim for Damages against all of the Plaintiffs and moved to obtain Preliminary and Permanent Injunctions against a majority of the Plaintiffs to remedy the Plaintiffs' continuing breaches of the applicable franchise agreements. The Company's Motion for Preliminary Injunction was granted in October 2008. The Company has asserted that none of the preliminarily enjoined Plaintiffs fully complied with the Court's Order and that several of them only minimally complied. Accordingly, the Company filed a Motion to Require Full Compliance and To Show Cause why they should not be held in contempt and for attorney's fees as sanctions.

The Company subsequently filed a Motion to Revoke the Temporary Admission Pro Hac Vice of David M. Duree, Plaintiff's former counsel, for filing fraudulent affidavits with the Court. The Court granted this motion on March 31, 2009. In the same ruling the Court: continued the Motion to Show Cause to allow parties time to conduct discovery, including depositions on the preliminarily enjoined Plaintiffs, on that issue; granted preliminary injunctions against Plaintiffs Gomes and Villasenor; dismissed claims against CIT Small Business Lending Corporation and PNC Bank with prejudice; and struck the fraudulent affidavits.

The Company has filed a Motion for Partial Summary Judgment as to several issues in the Complaint. New counsel for Plaintiffs entered his appearance in the case on behalf of the Plaintiffs on July 7, 2009 and moved to dismiss the Company's Motion for Partial Summary Judgment. The Court has set a hearing on the Motion for Partial Summary Judgment for September 2, 2009.

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

Introduction

The Company sells and services franchises for non-traditional and stand-alone foodservice operations under the trade names "Noble Roman's Pizza," "Tuscano's Italian Style Subs" and "Noble Roman's Bistro." The Company believes the attributes of these concepts include high quality products, simple operating systems, labor minimizing operations, attractive food costs and overall affordability.

Noble Roman's Pizza

Superior quality that our customers can taste - that is the hallmark of Noble Roman's Pizza. Every ingredient and process has been designed with a view to producing superior results. We believe the following make our products unique:

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- 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 real departure from many pizza concepts.
- o Vegetable and mushroom toppings that are sliced and delivered fresh, never canned.
- o An extended product line that includes breadsticks 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.

The Company carefully developed nearly all of its menu items to be delivered in a ready-to-use form requiring only on-site assembly and baking. These menu items are manufactured by third party vendors and distributed by unrelated distributors who deliver throughout most of the continental United States. We believe this process results in products that are great tasting, quality consistent, easy to assemble and relatively low in food cost and require relatively low amounts of labor.

The Company has recently developed a take-n-bake pizza module as an addition to its menu offering. The take-n-bake pizza is primarily designed as an add-on component for new and existing convenience store franchisees, and as a stand-alone offering for grocery store chains. The Company has signed agreements with 24 grocery stores, allowing them to operate the take-n-bake pizza program. Twenty-two of these stores have already begun selling take-n-bake pizzas under the program, and the other two are expected to begin operations within the next two weeks. The take-n-bake program has also been integrated into the operations of three existing convenience stores, generating significant add-on sales, and is now being offered to all convenience store franchisees for a small training fee. The Company has also begun approaching additional grocery stores and convenience stores regarding the take-n-bake program. The take-n-bake program in grocery stores is being offered as a supply agreement rather than a franchise.

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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 part, the Company awards Tuscano's franchises for 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.

With its Italian theme, Tuscano's offers a distinctive yet recognizable format. Like most other brand name sub concepts, customers select menu items at the start of the counter line then choose toppings and sauces according to their preference until they reach the check out point. Tuscano's, however, has many unique competitive features, including its Tuscan theme, the extra rich yeast content of its fresh baked bread, thematic menu selections and serving options, high quality meats, and generous yet cost-effective quality sauces and spreads. Tuscano's was designed to be premium quality, simple to operate and

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cost-effective.

The Company has recently developed a grab-n-go service system for a limited 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. The grab-n-go system has already been integrated into the operations of two existing locations, generating significant add-on sales. The system will be made available to other existing franchisees for a small training and administrative fee.

The Company is now offering new, non-traditional franchisees the opportunity to open with both take-n-bake pizza and grab-n-go subs when they acquire a dual-brand franchise. Additionally, through changes in the menu, operating systems and equipment structure, the Company is now able to offer dual Noble Roman's Pizza and Tuscano's Subs franchises at a significantly reduced investment cost. The Company recently has begun promoting these enhancements for non-traditional locations, and plans to demonstrate the dual-brand at the Foodservice At Retail Expo in Chicago August 18th and 19th.

Noble Roman's Bistro -----

Noble Roman's Bistro, introduced in October 2008, is an additional service system specifically designed for non-traditional venues such as convenience stores, entertainment facilities, universities, hospitals, bowling centers and other high traffic facilities. The Bistro incorporates all of the ingredient qualities described above for Noble Roman's Pizza, and retains simplicity by using largely ready-to-use ingredients that require only final assembly and baking on site. It features the SuperSlice pizza, one-fourth of a large pizza, along with hot entrees such as chicken parmesan, baked pastas, hot sub sandwiches, breadsticks and calzones plus fresh salads and snacks. The Bistro is also available with an optional breakfast expansion menu featuring a variety of standard breakfast favorites. Customers move along the food display counter and are served to order as they go.

Business Strategy

The Company's business strategy can be summarized as follows:

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Intensify Focus on Sales of Non-Traditional Franchises. With a very weak retail economy, and with the severe dislocations in the lending markets, the Company believes that it has a unique opportunity for increasing unit growth and revenue within its non-traditional venues such as hospitals, military bases, universities, convenience stores, attractions, entertainment facilities, casinos, airports, travel plazas, office complexes and hotels. The Company's franchises in non-traditional locations are foodservice providers within a host business, and usually require a minimal investment compared to a stand-alone franchise. Non-traditional franchises are often sold into pre-existing facilities as a service and/or revenue enhancer for the underlying business. Though focusing on non-traditional franchise expansion, the Company will still seek to capitalize on other franchising opportunities as they present themselves.

With the major focus being on non-traditional franchising, the Company's requirements for overhead and operating cost are reduced. In addition, during December 2008 the Company discontinued operating restaurants, by selling all but two of the restaurants it had been temporarily operating pending planned re-franchising, which also substantially reduced the Company's requirements for

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overhead and operating cost for the foreseeable future. The Company does intend to continue operating the two locations that it uses for testing and demonstration purposes. This change has allowed for a more complete focus on selling and servicing franchises to capitalize on the attractive opportunity the Company believes it has for increased unit growth in non-traditional franchises.

Enhance Product Offerings. To augment the Company's sales opportunities within non-traditional venues, it introduced the Noble Roman's Bistro service system in October 2008. As an addition to the other service systems offered in its Noble Roman's Pizza and Tuscano's Italian Style Subs concepts, the Bistro was designed to appeal to additional types of businesses and operational objectives with its fresh food display and serve-to-order serving system. Though presented or packaged differently, the substantial majority of the menu selections are comprised of ingredients already utilized in Noble Roman's Pizza and Tuscano's Italian Style Subs, thereby leveraging the Company's simple systems, distribution and purchasing power. In addition, the Company has recently developed a take-n-bake pizza module as an addition to its menu offering. The take-n-bake pizza is primarily designed as an add-on component for new and existing convenience store franchisees, and as a stand-alone offering for grocery store chains. The Company has signed agreements with 24 grocery stores, allowing them to operate the take-n-bake pizza program pursuant to supply agreements.

Maintain Superior Product Quality. The Company believes that the quality of its products will contribute to the growth of both its non-traditional and traditional locations. Every ingredient and process was designed with a view to producing superior results. Most of our menu items were developed to be delivered in a ready-to-use form requiring only on-site assembly and baking. The Company believes this process results in products that are great tasting, quality consistent, easy to assemble and relatively low in food cost and requiring very low amounts of labor, which allows for a significant competitive advantage due to the speed at which its products can be prepared, baked and served to customers.

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

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to (among other factors) recurring operating losses, significant adverse legal developments, competition, changes in demands 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 period ended June 30, 2008 and 2009, respectively.

Three Months Ended

Six Months Ended

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	June 30, -----		June 30, -----	
	2008	2009	2008	2009
	----	----	----	----
Royalties and fees	82.0 %	91.4 %	82.5 %	92.2 %
Administrative fees and other	.9	1.3	.7	1.0
Restaurant revenue	17.1	7.3	16.8	6.8
	-----	-----	-----	-----
Total revenue	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:				
Salaries and wages	14.4	14.2	15.3	14.3
Trade show expense	5.0	4.0	5.1	4.0
Travel expense	4.5	1.8	4.7	2.1
Sales commissions	.5	-	.9	.1
Other operating expense	9.7	10.3	9.9	10.2
Restaurant expenses	16.1	7.0	16.0	6.6
Depreciation and amortization	1.0	1.1	1.0	1.1
General and administrative	17.4	19.4	17.7	19.0
	-----	-----	-----	-----
Operating income	31.4 %	42.2 %	29.4 %	42.6 %
Interest and other expense	6.7	6.2	6.6	6.3
	-----	-----	-----	-----
Income before income taxes	24.7	36.0	22.8	36.3
Income tax expense	8.5	14.2	7.7	14.4
	-----	-----	-----	-----
Net income	16.2 %	21.8 %	15.1 %	21.9 %
	=====	=====	=====	=====

Results of Operations

Results of Operations - Three-Month and Six-Month Periods Ended June 30, 2007 and 2008

Total revenue decreased from \$2,422,042 to \$1,903,556 and from \$4,772,477 to \$3,794,624 for the three-month and six-month periods ended June 30, 2009, respectively, compared to the corresponding periods in 2008. These decreases were a result of selling fewer franchise agreements, less equipment commissions and less area development agreements in both the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008. Royalty and fee income, less franchise fees, equipment commissions and area development fees, were approximately the same in 2008 compared to 2009. The decrease in the sale of area development agreements is the result of the Company focusing all of its efforts in non-traditional franchising. The reduction in the sale of franchise agreements and equipment commissions is primarily the result of the economic environment resulting in prospects being more reluctant to make capital investments.

Approximately \$37,000 and \$65,600 are included in royalty and fee income for the three-month and six-month periods ended June 30, 2009, respectively, and approximately \$103,000 and \$238,500 are included in the three-month and six-month periods ended June 30, 2008, respectively, for initial franchise fees.

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Approximately \$20,338 and \$76,361, and approximately \$96,597 and \$207,072 are included in royalty and fee income for the three-month and six-month periods ended June 30, 2009 and 2008, respectively, for equipment commissions. There were no area development fees in either the three-month or six-month periods in 2009 and there were area development fees of \$104,825 in both the three-month and six-month periods ended June 30, 2008. Royalty and fee income, less initial franchise fees, equipment commissions and area development fees were \$1,682,483 and \$3,357,473, and \$1,682,510 and \$3,384,688 for the three-month and six-month periods ended June 30, 2009 and 2008, respectively.

Restaurant revenues decreased from approximately \$414,679 to \$138,742 and \$803,520 to \$257,635 for the three-month and six-month periods ended June 30, 2009, respectively, compared to the corresponding periods in 2008. This decrease was a result of the Company discontinuing operating restaurants in December 2008. The Company plans to continue operating two restaurants used for training and demonstration purposes.

Salaries and wages were 14.2% of total revenue and 14.3% of total revenue for the three-month and six-month periods ended June 30, 2009, respectively, compared to 14.4% and 15.3% for the three-month and six-month periods ended June 30, 2008, respectively. The actual expense decreased from \$349,007 to \$269,581 and from \$730,099 to \$543,730 for the three-month and six-month periods ended June 30, 2009, respectively, compared to the corresponding periods in 2008. These decreases were the result of reduction in staff and other overhead due to the Company's decision to discontinue operating restaurant pending re-franchising and, as a result, the Company's strategy to grow by concentrating its efforts on franchising non-traditional locations. The reduction was partially offset by the decrease in revenue as a result of opening fewer new franchises.

Trade show expenses decreased from 5.0% of total revenue to 4.0% of total revenue and 5.1% of total revenue to 4.0% of total revenue, respectively, for the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008. These decreases were the result scheduling fewer trade shows by eliminating all events focused on franchising for traditional locations. The reduction was partially offset by the decrease in revenue as the result of opening fewer new franchises.

Travel expenses decreased from 4.5% of total revenue to 1.8% of total revenue and from 4.7% of total revenue to 2.1% of total revenue, respectively, for the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008. The actual amount of travel expenses decreased from \$109,051 to \$33,601 and from \$222,632 to \$78,133 for the three-month and six-month periods ended June 30, 2009, respectively, compared to the corresponding periods in 2008. These decreases were the result of the Company's strategy to grow by concentrating its efforts on franchising non-traditional locations which require less on-site support and franchising in traditional locations. The reduction was partially offset by the decrease in revenue as a result of opening fewer new franchises.

Sales commissions decreased from .5% of total revenue to 0% of total revenue and .9% of total revenue to .1% of total revenue, respectively, for the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008. These decreases were the result of fewer franchise sales and Area Development Agreement sales.

Other operating expenses increased from 9.7% of total revenue to 10.3% of total revenue and from 9.9% of total revenue to 10.2% of total revenue, respectively, for the three-month and six-month periods ended June 30, 2009 compared to the

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corresponding periods in 2008. The actual expenses decreased from \$235,057 to \$196,314 and from \$472,531 to \$388,263, respectively, for the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008. The reduction in operating expenses was offset by the decrease in revenue. The decreases were due to the Company's decision to discontinue operating restaurants pending re-franchising and as a result of the Company's strategy to grow by concentrating its efforts on franchising non-traditional restaurants.

Restaurant expenses decreased from 16.1% of total revenue to 7.0% of total revenue and from 16.0% of total revenue to 6.6% of total revenue, respectively, for the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008. The actual expenses decreased from \$389,794 to \$132,802 and from \$764,219 to \$250,825, respectively for the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008. These decreases were the result of the Company discontinuing operating restaurants, except for the two restaurants used for testing and demonstration purposes.

General and administrative expenses increased as a percentage of total revenue from 17.4% of total revenue to 19.4% of total revenue and 17.7% of total revenue to 19.0% of total revenue, respectively, for the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008. The actual expenses decreased from \$420,550 to \$369,357 and from \$842,853 to \$722,759, respectively, for the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008. These increases, as a percentage of revenue, were the result of the decrease in revenue as a result of opening fewer new franchises which were partially offset by the reduction in actual general and administrative expenses.

Total expenses decreased, as a percentage of total revenue, from 68.6% to 57.8% and 70.6% of to 57.4%, respectively, for the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008. The actual expenses decreased from \$1,661,081 to \$1,098,827 and from \$3,370,436 to \$2,179,464, respectively, for the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008. This decrease was due to the Company's decision to discontinue operating restaurants pending re-franchising and as a result of the Company's strategy to grow by concentrating its efforts on franchising non-traditional locations.

Operating income increased as a percentage of total revenue from 31.4% of total revenue to 42.2% of total revenue and 29.4% of total revenue to 42.6% of total revenue, respectively, for the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008. The primary reasons for these increases were reductions in overhead as a result of the Company's decision to discontinue operating restaurant pending re-franchising and as a result of the Company's strategy to grow by concentrating all of its efforts on franchising non-traditional locations. The reduction in overhead was only partially offset by the decrease in revenue as a result of opening fewer new franchises. Actual operating income increased from \$760,961 to \$804,729 and from \$1,402,041 to \$1,615,160 for the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008.

Interest expense decreased, as a percentage of total revenue, from 6.7% to 6.2% and from 6.6% to 6.3% of total revenue, respectively, for the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008. Actual interest expense decreased from \$162,011 to \$117,141 and from \$316,075 to \$237,456 for the three-month and six-month periods ended June 30, 2009, respectively, compared to the corresponding periods in 2008. These decreases were the result of a combination of a decrease in the principal amount of notes payable outstanding and lower interest rates.

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Net income, as a percentage of total revenue, increased from 16.2% to 21.8% and from 15.1% to 21.9%, respectively, for the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008. Actual net income increased from \$395,307 to \$415,234 and from \$716,737 to \$831,995, respectively, for the three-month and six-month periods ended June 30, 2009 compared to the corresponding periods in 2008. The primary reason for these increases were the reduction in overhead as a result of the Company's decision to discontinue operating new restaurants, except for the two units the Company operates for testing and demonstration purposes, and as a result of the Company's strategy to grow by concentrating its efforts on franchising non-traditional locations. The reduction in overhead was only partially offset by the decrease in revenue as a result of opening fewer new franchises.

In order to intensify focus on non-traditional franchising and withdraw from temporarily operating restaurants, the Company sold the excess restaurants to be operated as franchises, which reduced the Company's requirement for overhead and operating cost. For the six-month period ended June 30, 2009, the Company is approximately \$56,000 ahead in income before income taxes from its plan for 2009, as announced in the Form 10-Q for the quarterly period ended September 30, 2008.

Liquidity and Capital Resources

The Company's current strategy is to grow its business by concentrating largely on franchising new non-traditional locations. The Company increased its focus on selling additional franchises for non-traditional locations and created the Noble Roman's Bistro service system as an attempt to broaden the appeal to additional types of locations and operations, and to accelerate the non-traditional growth. In addition, the Company has discontinued operating any restaurants except for the two locations the Company operates for testing and demonstration purposes. This change has allowed the Company to reduce operating expenses and overhead. This strategy does not require significant capital investments.

The Company's current ratio increased from 1.2-to-1 to 1.5-to-1 in the six-months ended June 30, 2009 due to profitable operations. The Company does not expect to report any loss on discontinued operations in 2009.

As a result of the Company's strategy and cash flow expected to be generated from operations in the future, 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.

On February 4, 2008, the Company and certain of its subsidiaries, entered into a First Amendment to Loan Agreement (the "Amendment") with Wells Fargo Bank, N.A. that amended the existing Loan Agreement dated August 25, 2005, between the Company and Wells Fargo (the "Loan Agreement"). Under the Amendment, Wells Fargo loaned the Company an additional \$3.0 million. The Amendment also reduced the interest rate applicable to amounts borrowed under the Loan Agreement from LIBOR plus 4% per annum to LIBOR plus 3.75% per annum and extended the maturity date for borrowings under the loan from August 31, 2011 to August 31, 2013.

On February 6, 2008, the Company elected to trade its previous swap contract for a new swap contract fixing the rate on 50% of the principal balance under the Loan Agreement, as amended by the Amendment (approximately \$3.375 million as of March 1, 2009), at an annual interest rate of 8.2%.

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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.

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, 2009, the Company had outstanding interest-bearing debt in the aggregate principal amount of \$6.375 million. The Company's current borrowings are at a monthly variable rate tied to the London Interbank Offered Rate ("LIBOR") plus 3.75% per annum adjusted on a monthly basis. To mitigate interest rate risk, the Company traded its previous swap contract for a new swap contract fixing the rate on 50% of the principal balance outstanding at 8.2%. Based upon the principal balance outstanding as of August 1, 2009 of \$6.125 million, for each 1.0% increase in LIBOR, the Company would incur increased interest expense of approximately \$26,600 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 (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 Plaintiffs are former franchisees of the Company's traditional location format. In addition to the Company, the Defendants include certain of the Company's officers and lenders to certain of the Plaintiffs. The Plaintiffs allege that the Defendant's induced them to purchase traditional franchises through fraudulent representations and omissions of material facts regarding the franchises, and seek compensatory and punitive damages. Discovery is in progress but has not yet been completed. Defendants filed the First Request for Production of Documents on February 9, 2009 and certain Plaintiffs produced some documents requested by the Company. However, many of the Plaintiffs produced no documents and the Company, on July 27, 2009, filed a Motion to Compel the production against those Plaintiffs. Depositions have been scheduled for the Plaintiffs during August, September and October. Depositions of the Defendants have been scheduled during August and October. The Company believes that it has strong and meritorious legal and factual defenses to these claims and will vigorously defend its interests in this case.

The Company filed a Counter-Claim for Damages against all of the Plaintiffs and moved to obtain Preliminary and Permanent Injunctions against a majority of the Plaintiffs to remedy the Plaintiff's continuing breaches of the applicable franchise agreements. The Company's Motion for Preliminary Injunction was granted in October 2008. The Company has asserted that none of the preliminarily enjoined Plaintiffs fully complied with the Court's Order and that several of them only minimally complied. Accordingly, the Company filed a Motion to Require

Full Compliance and To Show Cause why they should not be held in contempt and for attorney's fees as sanctions.

The Company subsequently filed a Motion to Revoke the Temporary Admission Pro Hac Vice of David M. Duree, Plaintiffs' former counsel, for filing fraudulent affidavits with the Court. The Court granted this motion on March 31, 2009. In the same ruling the Court: continued the Motion to Show Cause to allow parties time to conduct discovery, including depositions on the preliminarily enjoined Plaintiffs, on that issue; granted preliminary injunctions against Plaintiffs Gomes and Villasenor; dismissed claims against CIT Small Business Lending Corporation and PNC Bank with prejudice; and struck the fraudulent affidavits.

The Company has filed a Motion for Partial Summary Judgment as to several issues in the Complaint. New counsel for Plaintiffs entered his appearance in the case on behalf of the Plaintiffs on July 7, 2009 and moved to dismiss the Company's Motion for Partial Summary Judgment. The Court has set a hearing on the Motion for Partial Summary Judgment for September 2, 2009.

Other than as disclosed above, the Company is involved in no other litigation requiring disclosure.

ITEM 6. Exhibits.

(a) Exhibits: See Exhibit Index appearing on page 19.

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 10, 2009

/s/ Paul W. Mobley

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Paul W. Mobley, Chairman of the Board and
Chief Financial Officer
(Authorized Officer and Principal
Financial Officer)

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Index to Exhibits

Exhibit

- 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 effect, 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.
- 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.

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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 November 15, 1994 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 November 15, 1994 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.

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- 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 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.
- 10.6 First Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated February 4, 2008, filed as Exhibit 10.1 to the Registrant's report on Form 8-K filed February 8, 2008, is incorporated herein by reference.
- 21.1 Subsidiaries of the Registrant filed in 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.
- 31.1 C.E.O. and C.F.O. Certification under Rule 13a-14(a)/15d-15(e).
- 32.1 C.E.O. and C.F.O. Certification under Section 1350.

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