NOBLE ROMANS INC
Form 10-Q
May 06, 2010

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 March 31, 2010

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 the 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 (do not check if smaller reporting company)	___	Smaller Reporting Company	X

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 May 3, 2010, there were 19,412,499 shares of Common Stock, no par value, outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

The following unaudited condensed consolidated financial statements are included herein:

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

Assets	December 31, 2009	Mar 2
Current assets:		
Cash	$ 333,204	$
Accounts and notes receivable - net	1,343,500	1,
Inventories	239,006	
Assets held for resale	243,527	
Prepaid expenses	241,852	
Deferred tax asset - current portion	1,050,500	1,
Total current assets	3,451,589	3,
Property and equipment:		
Equipment	1,133,312	1,
Leasehold improvements	96,512	
	1,229,824	1,

Less accumulated depreciation and amortization	790,134	
Net property and equipment	439,690	
Deferred tax asset (net of current portion)	10,703,594	10,
Other assets including long-term portion of notes receivable	2,087,644	2,
Total assets	$ 16,682,517	$ 16,
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term note payable	$ 1,500,000	$ 1,
Accounts payable and accrued expenses	434,665	
Total current liabilities	1,934,666	2,
Long-term obligations:		
Note payable to bank (net of current portion)	4,125,000	3,
Total long-term liabilities	4,125,000	3,
Stockholders' equity:		
Common stock - no par value (25,000,000 shares authorized, 19,412,499 issued and outstanding as of December 31, 2009 and March 31, 2010)	23,074,160	23,
Preferred stock (5,000,000 shares authorized and 20,625 issued and outstanding as of December 31, 2009 and March 31, 2010)	800,250	
Accumulated deficit	(13,251,559)	(12,
Total stockholders' equity	10,622,851	10,
Total liabilities and stockholders' equity	$ 16,682,517	$ 16,

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2009	2010
Royalties and fees	$ 1,759,614	$ 1,635,656
Administrative fees and other	12,563	6,250
Restaurant revenue	118,891	113,226
Total revenue	1,891,068	1,755,132
Operating expenses:		
Salaries and wages	274,149	240,388
Trade show expense	75,617	75,139
Travel expense	44,532	36,239

Sales commissions	3,627	--
Other operating expenses	191,949	190,515
Restaurant expenses	118,023	111,749
Depreciation and amortization	19,338	14,574
General and administrative	353,402	394,804
Total expenses	1,080,637	1,063,406
Operating income	810,431	691,725
Interest and other expense	120,315	109,399
Income before income taxes	690,116	582,326
Income tax expense	273,355	230,659
Net income	416,761	351,667
Cumulative preferred dividends	16,636	16,636
Net income available to common stockholders	$ 400,125	$ 335,031
Earnings per share - basic:		
Net income	$ .02	$ .02
Net income available to common stockholders	.02	.02
Weighted average number of common shares outstanding	19,412,499	19,412,499
Diluted earnings per share:		
Net income	$ .02	$ .02
Weighted average number of common shares outstanding	19,854,863	20,036,415

See accompanying notes to condensed consolidated financial statements.

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

	Preferred Stock	Common Stock Shares	Common Stock Amount	Accumulated Deficit
Balance at December 31, 2009	$ 800,250	19,412,499	$ 23,074,160	$(13,251,559)
Net income for three months ended March 31, 2010				351,667
Cumulative preferred				

dividends				(16,636)
Amortization of value of employee stock options			8,684	
Balance at March 31, 2010	$ 800,250	19,412,499	$23,082,844	$(12,916,528)

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)

	Three Months Ended March 31,	
OPERATING ACTIVITIES	2009	2010
Net income	$ 416,761	$ 351,667
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46,929	23,257
Deferred income taxes	273,355	230,659
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and notes receivable	(234,742)	(196,174)
Inventories	(13,848)	1,453
Prepaid expenses	13,716	(99,228)
Other assets	(23,025)	(167,496)
Increase (decrease) in:		
Accounts payable and accrued expenses	26,228	301,699
NET CASH PROVIDED BY OPERATING ACTIVITIES	505,374	445,839
INVESTING ACTIVITIES		
Purchase of property and equipment	(18,385)	(2,395)
NET CASH USED IN INVESTING ACTIVITIES	(18,385)	(2,395)
FINANCING ACTIVITIES		
Payment of obligations from discontinued operations	(215,925)	(81,906)
Payment of cumulative preferred dividends	(16,636)	(16,636)
Payment of principal on outstanding debt	(375,000)	(375,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(607,561)	(473,541)
Increase (decrease) in cash	(120,572)	(30,096)
Cash at beginning of period	450,968	333,204

Cash at end of period	$ 330,396	$ 303,108
	=========	=========

Supplemental schedule of non-cash investing and financing activities

None

Cash paid for interest	$ 114,311	$ 84,080

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, although the Company believes that the disclosures are adequate to ensure the information presented is not misleading. 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, 2009 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 it's 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 three-month period ended March 31, 2010 are not necessarily indicative of the results to be expected for the full year ending December 31, 2010.

Note 2 - Royalties and fees include $28,600 and $64,000 for the three-month periods ended March 31, 2009 and 2010, respectively, of initial franchise fees. Royalties and fees include $56,023 and $59,684 for the three-month period ended March 31, 2009 and 2010, respectively, of equipment commissions. Royalties and fees, less initial franchise fees and equipment commissions were $1,674,991 and $1,511,972 for the three-month periods ended March 31, 2009 and 2010, respectively. This decrease resulted from traditional franchise closings in the approximate amount of $102,384 and a decrease in ongoing royalties and fees from non-traditional units other than grocery stores in the approximate amount of $105,275 partially offset by an increase in ongoing royalties and fees from the grocery store take-n-bake additions in the amount of $44,640. The Company has no material amount of past due royalties.

There were 834 outlets in operation on December 31, 2009 and 876 outlets on March 31, 2010. During the three-month period ended March 31, 2010, there were 54 new outlets opened and 12 outlets closed.

Note 3 - The following table sets forth the calculation of basic and diluted earnings per share for the three-month period ended March 31, 2009:

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income	$ 416,761	19,412,499	$ .02
Less preferred stock dividends	(16,636)		
Earnings per share - basic			
Income available to common stockholders	400,125		.02
Effect of dilutive securities			
Warrants		0	
Options		75,698	
Convertible preferred stock	16,636	366,666	
Diluted earnings per share			
Income available to common stockholders and assumed conversions	$ 416,761	19,854,863	$ .02

The following table sets forth the calculation of basic and diluted earnings per share for the three-month period ended March 31, 2010:

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income	$ 351,667	19,412,499	$ .02
Less preferred stock dividends	(16,636)		
Earnings per share - basic			
Income available to common stockholders	335,031		.02
Effect of dilutive securities			
Warrants		0	
Options		257,250	
Convertible preferred stock	16,636	366,666	
Diluted earnings per share			
Income available to common stockholders and assumed conversions	$ 351,667	20,036,415	$ .02

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 on June 19, 2008 (Cause No. 29D01 0806 PL 739). The Plaintiffs in the case originally were Kari and Fred Heyser and Meck Enterprises, LLC, Shawn and Jamie White and Casual Concepts of Texas, LLC, Afifa Abdelmalek and St. Markorios Corporation, Robert and Kathleen Hopkins and Withmere Restaurants, LLC, John and Mariann Dunn and D & G Restaurant, LLC, Jason Clark and Nican Enterprises, LLC, Thomas A. Brintle and Noble Roman's Mt. Airy 100, LLC, Marikate and Paul Morris and Kapza, Inc., Kim Neal and Mopan Commerce, Inc., and Collett Eugene Harrington and Sazzip, LLC. Plaintiffs Marikate and Paul Morris and Kapza, Inc. have withdrawn their claims against the Company. The Defendants originally were the Company, Paul W. and A. Scott Mobley, Troy Branson, Mitch Grunat, CIT Small Business Lending Corporation and PNC Bank. The court has dismissed the claims against CIT Small Business Lending Corporation and PNC Bank.

The Plaintiffs are former franchisees of the Company's traditional location venue. In addition to the Company, the Defendants include certain of the Company's officers. 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. In the complaint, the Plaintiffs claimed damages in the aggregate in the amount of $6.8 million and in some cases requested punitive damages, court costs and/or prejudgment interest. Discovery is in progress, but has not yet been completed. To date, 11 of the 13 remaining Plaintiff groups have been deposed. Plaintiffs' counsel withdrew representation of Plaintiffs Soltero and counsel for Defendants has been unable to locate Plaintiffs Soltero, leaving one Plaintiff group, Villasenor, to be deposed. Because the Villasenors have failed to appear for two previous scheduled depositions, Defendants, on April 16, 2010, filed a motion to compel the deposition of Villasenors and require them to appear in Indianapolis for their depositions during the week of May 3, 2010 or to dismiss Villasenors claims against Defandants with prejudice if they fail again to appear for the noticed depositions. On April 29, 2010, the Judge granted Defendants' motion and ordered Villasenors to appear in Indianapolis for depositions at a time convenient to Defendants' counsel during the week of May 3, 2010 or all claims alleged in this lawsuit by the Villasenors against Defendants will be dismissed with prejudice if the Villasenors fail to appear for deposition. Defendants noticed Brenda Villasenor for deposition on May 6,

2010 and Henry Villasenor was noticed for deposition on May 7, 2010. Brenda Villasenor did not appear for her noticed deposition.

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 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 in March 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. New counsel for Plaintiffs entered his appearance in the case on behalf of the Plaintiffs in May 2009.

The Company also filed a Motion for Partial Summary Judgment as to several claims in the Complaint, which the Judge granted in September, 2009. In October, 2009 Plaintiffs filed a Motion to Correct Error, Reconsider and Vacate Order; Request for Clarification; Alternatively, Motion for Certification of Appeal of Interlocutory Order and for Stay of Proceeding Pending Appeal. In January, 2010, the court denied Plaintiffs' Motion and in the same Order the court denied Plaintiffs' Motion for Certification of Appeal of Interlocutory Order and for Stay of Proceedings Pending Appeal. Further, the court denied Plaintiffs' request to amend their Complaint. In February, 2010, counsel for the Plaintiffs filed a Notice of Appeal with the Indiana Court of Appeals. Defendants' Counsel is preparing a Brief in Opposition to the appeal, both for lack of jurisdiction and also on the merits. The Brief in Opposition is due to be filed on or before May 15, 2010.

Certain Defendants were scheduled for depositions by Plaintiffs' counsel during the week of August 24, 2009, however, Plaintiff's counsel canceled those depositions. They were scheduled again for deposition during the week of November 9, 2009, however, Plaintiffs' counsel canceled those depositions. Defendants had been rescheduled for depositions during the week of March 15, 2010, however, on March 12, 2010 Plaintiffs' counsel again canceled those depositions stating the reason was because of an unidentified family emergency. Because Defendants and Defendants' counsel had expended a significant amount of time and money preparing for depositions that were canceled right before the deposition dates, Defendants filed a Motion for Protective Order prohibiting the depositions of Defendants unless just cause is demonstrated for Plaintiffs' cancellation of Defendants' deposition previously scheduled to occur on March 15, 2010 through March 19, 2010. On April 28, 2010, the court notified Plaintiffs' counsel to submit under seal the specific reasons why he canceled Defendants' depositions by May 7, 2010 in order to rule on Defendants' Motion for Protective Order. If Plaintiffs' counsel does not submit those reasons by May 7, 2010, the court will rule on the existing pleadings.

Defendants have filed Motions for Summary Judgment as to some of the Plaintiffs as a result of their testimony at depositions and are in the process of preparing motions for Summary Judgment against all of the other Plaintiffs whose depositions have been taken. In his Order of February 2, 2010, the Judge set a

deadline of April 30, 2010 for filing of all remaining Motions for Summary Judgment, a deadline of June 4, 2010 for Plaintiffs' Response to the Motions and a deadline of June 18, 2010 for Defendants' Reply to Responses. Because of the difficulty in scheduling Plaintiffs for deposition by Defendants, in the Court's Order of April 29, 2010, the Court extended the deadline for filing summary judgment motions to May 31, 2010, the deadline for any responses to those motions to July 5, 2010 and the deadline for any reply brief to that response to July 19, 2010.

On April 30, 2010, Plaintiffs Marikate Morris, Paul Morris and Kapza, Inc. filed a Motion to Voluntarily Dismiss Claims with the Court in which they requested that the Court dismiss with prejudice all of their claims against the Defendants. In the Motion, the moving Plaintiffs do not request that the Court dismiss the Company's counter-claim against the moving Plaintiffs, and, accordingly, counter-claim will not be affected by the Court's eventual ruling on the Motion.

Note 5: The Company evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission. There were no subsequent events that required recognition or disclosure.

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", "Noble Roman's Take-N-Bake", "Tuscano's Grab-N-Go 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:

- Crust made with only specially milled flour with above average protein and yeast.
- Fresh packed, uncondensed sauce made with secret spices, parmesan cheese and vine-ripened tomatoes.
- 100% real cheese blended from mozzarella and Muenster, with no soy additives or extenders.
- 100% real meat toppings, again with no additives or extenders - a real departure from many pizza concepts.
- Vegetable and mushroom toppings that are sliced and delivered fresh, never canned.
- An extended product line that includes breadsticks with dip, pasta, baked sandwiches, salads, wings and a line of breakfast products.
- 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.

Noble Roman's Take-N-Bake Pizza

The Company recently 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 store franchisees and as a stand-alone offering for grocery store chains. The Company, since it started offering take-n-bake pizza to grocery store chains in September 2009, had signed agreements, as of March 31, 2010, for 93 grocery store locations to operate the take-n-bake pizza program, 79 of which were open at that time. As of April 30, 2010, the Company had signed agreements for 155 grocery store locations to operate the take-n-bake pizza program, 101 of which were open at that time and anticipates the remainder of the 155 locations to open during the first three weeks of May 2010. The Company expects to sign several additional units with existing chains and is also in discussions with several other grocery store chains. The take-n-bake program has also been integrated into the operations of many existing convenience stores, generating significant add-on sales, and is now being offered to all convenience store franchisees. The Company uses the same high quality pizza ingredients for its take-n-bake product as with its standard pizza, with slight modification to portioning for increased home baking performance.

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 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 several existing locations, generating significant add-on sales. The system is now being made available to other existing franchisees.
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-branded 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 began promoting these enhancements for non-traditional locations, and has been demonstrating the dual-brand at a variety of trade shows in recent months.

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 wide 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:

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 to be operated as franchises, which also substantially reduced the Company's requirements for 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 2009, the Company introduced a take-n-bake pizza as an addition to its menu offering. The take-n-bake pizza is designed as an add-on component for new and existing convenience store franchisees, and as a stand-alone offering for grocery store chains. Also, during 2009, the Company 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 Tuscano's Subs locations. The Company will continue to focus on enhanced product offerings to augment the Company's sales opportunities within non-traditional venues.

Maintain Superior Product Quality. The Company believes that the quality of its products will contribute to the growth of its non-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 except for take-n-bake pizza, which is sold to bake at home. The Company believes this process results in products that are great tasting, quality consistent, easy to assemble, and relatively low in food cost and that require 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 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 March 31, 2009 and 2010, respectively.

	Three Months Ended March 31,	
	2009	2010
Royalties and fees	93.0 %	93.2 %
Administrative fees and other	.7	.4
Restaurant revenue	6.3	6.4
Total revenue	100.0 %	100.0 %
Operating expenses:		
Salaries and wages	14.5	13.7
Trade show expense	4.0	4.3
Travel expense	2.3	2.1
Sales commissions	.2	.0
Other operating expense	10.2	10.9
Restaurant expenses	6.2	6.3
Depreciation and amortization	1.0	.8
General and administrative	18.7	22.5
Total expenses	57.1	60.6
Operating income	42.9 %	39.4 %

Interest and other expense	6.4	6.2
Income before income taxes	36.5 %	33.2 %
Income tax expense	14.5	13.2
Net income	22.0 %	20.0 %

Results of Operations

Three-Month Periods Ended March 31, 2009 and 2010

Total revenue decreased from $1.9 million to $1.8 million for the three-month period ended March 31, 2010 compared to the corresponding period in 2009. One-time fees, franchisee fees and equipment commissions increased during this period from $84,623 in the first quarter 2009 to $123,684 in 2010. Ongoing royalties and fees decreased during this period from $1,674,991 to $1,511,972 for the three-month period ended March 31, 2009 and March 31, 2010, respectively. Of this decrease, $102,384 resulted from traditional franchise closings and a decrease in ongoing royalties and fees from non-traditional units other than grocery stores in the approximately amount of $105,275 (believed to be primarily the result of the unusually bad weather during January and February, 2010) were partially offset by an increase in ongoing royalties and fees from the grocery store take-n-bake additions in the amount of $44,640.

Restaurant revenue decreased from $118,891 to $113,226 for the three-month period ended March 31, 2010 compared to the corresponding period in 2009. It is believed that this decrease was primarily the result of unusually bad weather in January and February, 2010.

Salaries and wages decreased from 14.5% of total revenue to 13.7% of total revenue for the three-month period ended March 31, 2010 compared to the corresponding period in 2009. This decrease was the result of 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 explained in the discussion above regarding total revenue.

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Trade show expenses increased from 4.0% of total revenue to 4.3% of total revenue for the three-month period ended March 31, 2010 compared to the corresponding period in 2009. This increase was the result of the reduction in revenue. Trade show expenses were $75,617 in the three-month period ended March 31, 2009 compared to $75,139 in the corresponding period in 2010.

Travel expenses decreased from 2.3% of total revenue to 2.1% of total revenue for the three-month period ended March 31, 2010 compared to the corresponding period in 2009. Actual travel expense decreased from $44,532 to $36,239 for the three-month period ended March 31, 2010 compared to the corresponding period in 2009. This decrease was the result of the Company's strategy to grow by concentrating its efforts in franchising non-traditional locations which require less on-site support than franchising in traditional locations. The reduction was partially offset by the decrease in revenue as explained above in the discussion of total revenue.

Other operating expenses increased, as a percentage of total revenue, from 10.2% to 10.9% for the three-month period ended March 31, 2010 compared to the corresponding period in 2009. Actual operating expenses decreased from $191,949 to $190,515. The reduction in operating expenses was offset by the decrease in revenue.

Restaurant expenses increased as a percentage of total revenue from 6.2% to 6.3% for the three-month period ended March 31, 2010 compared to the corresponding period in 2009. Actual restaurant operating expenses decreased from $118,023 to $111,749.

General and administrative expenses increased as a percentage of total revenue from 18.7% to 22.5% for the three-month period ended March 31, 2010 compared to the corresponding period in 2009. Actual general and administrative expense increased from $353,402 to $394,804 for the three-month period ended March 31, 2010 compared to the corresponding period in 2009. This increase was primarily the result of an increase in legal expenses of $17,805 and an increase of rent expense of $31,500 partially offset by a reduction in other expenses. The Company had no rent expense in the three-month period ended March 31, 2009 due to its leased offices being under massive remodeling as the Company's old office lease expired in December 2009 and the new lease did not commence until the remodel of its space was complete.

Total expenses increased as a percentage of total revenue from 57.1% to 60.6% for the three-month period ended March 31, 2010 compared to the corresponding period in 2009. Actual expenses decreased from $1,080,637 to $1,063,406 for the three-month period ended March 31, 2010 compared to the corresponding period in 2009. This decrease was due to the Company tightly controlling expenses.

Operating income decreased as a percentage of total revenue from 42.9% to 39.4% for the three-month period ended March 31, 2010 compared to the corresponding period in 2009. The primary reason for this decrease was the reduction in revenue as explained above.

Interest expense decreased as a percentage of total revenue from 6.4% to 6.2% for the three-month period ended March 31, 2010 compared to the corresponding period in 2009. This decrease was the result of a combination of a decrease in notes payable outstanding and lower interest rates partially offset by a decrease in revenue.

Net income decreased from $416,761 to $351,667 for the three-month period ended March 31, 2010 compared to the corresponding period in 2009. The primary reason for this decrease was the decrease in revenue.

Liquidity and Capital Resources

The Company's current strategy is to grow its business by concentrating largely on franchising new non-traditional locations and by licensing additional locations to sell its take-n-bake pizza. The Company increased its focus on selling additional franchises for non-traditional locations and created the Noble Roman's Bistro service system to help broaden the appeal to additional types of locations and operations. The Company developed a take-n-bake pizza as an addition to its menu offerings to accelerate non-traditional unit growth. The take-n-bake pizza is designed as an add-on component for new and existing convenience store franchises, and as a stand-alone offering for grocery store chains. 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 remained approximately the same at 1.8-to-1 from December 31, 2009 to March 31, 2010.

The net cash provided by operating activities was $445,839 for the three-month period ended March 31, 2010 and $505,374 for the corresponding period in 2009. Net cash used in financing activities was $473,541 in the three-month period ended March 31, 2010 and $607,561 for the corresponding period in 2009.

As a result of the Company's strategy and the 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.

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, the current litigation with certain former traditional franchisees, shifts in market demand, general economic conditions and other factors including, but not limited to, changes in demand for the Company's products or franchises, the success or failure of individual franchisees, the impact of competitors' actions and changes in prices or supplies of food ingredients and labor as well as the factors discussed under "Risk Factors" in the Company's annual report on Form 10-K for the year-ended December 31, 2009. 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.

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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 March 31, 2010, the Company had outstanding interest-bearing debt in the aggregate principal amount of $5.250 million. The Company's current borrowings are at a 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 purchased a swap contract fixing the rate on 50% of the principal balance outstanding at 8.2%. Based upon the principal balance outstanding as of May 3, 2010 of $5.0 million for each 1.0% increase in LIBOR, the Company would incur increased interest expense of approximately $21,880 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 on June 19, 2008 (Cause No. 29D01 0806 PL 739). The Plaintiffs in the case originally were Kari and Fred Heyser and Meck Enterprises, LLC, Shawn and Jamie White and Casual Concepts of Texas, LLC, Afifa Abdelmalek and St. Markorios Corporation, Robert and Kathleen Hopkins and Withmere Restaurants, LLC, John and Mariann Dunn and D & G Restaurant, LLC, Jason Clark and Nican Enterprises, LLC, Thomas A. Brintle and Noble Roman's Mt. Airy 100, LLC, Marikate and Paul Morris and Kapza, Inc., Kim Neal and Mopan Commerce, Inc., and Collett Eugene Harrington and Sazzip, LLC. Plaintiffs Marikate and Paul Morris and Kapza, Inc. have withdrawn their claims against the Company. The Defendants originally were the Company, Paul W. and A. Scott Mobley, Troy Branson, Mitch Grunat, CIT Small Business Lending Corporation and PNC Bank. The court has dismissed the claims against CIT Small Business Lending Corporation and PNC Bank.

The Plaintiffs are former franchisees of the Company's traditional location venue. In addition to the Company, the Defendants include certain of the Company's officers. 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. In the complaint, the Plaintiffs claimed damages in the aggregate in the amount of $6.8 million and in some cases requested punitive damages, court costs and/or prejudgment interest. Discovery is in progress, but has not yet

been completed. To date, 11 of the 13 remaining Plaintiff groups have been deposed. Plaintiffs' counsel withdrew representation of Plaintiffs Soltero and counsel for Defendants has been unable to locate Plaintiffs Soltero, leaving one Plaintiff group, Villasenor, to be deposed. Because the Villasenors have failed to appear for two previous scheduled depositions, Defendants, on April 16, 2010, filed a motion to compel the deposition of Villasenors and require them to appear in Indianapolis for their depositions during the week of May 3, 2010 or to dismiss Villasenors claims against Defandants with prejudice if they fail again to appear for the noticed depositions. On April 29, 2010, the Judge granted Defendants' motion and ordered Villasenors to appear in Indianapolis for depositions at a time convenient to Defendants' counsel during the week of May 3, 2010 or all claims alleged in this lawsuit by the Villasenors against Defendants will be dismissed with prejudice if the Villasenors fail to appear for deposition. Defendants noticed Brenda Villasenor for deposition on May 6, 2010 and Henry Villasenor was noticed for deposition on May 7, 2010. Brenda Villasenor did not appear for her noticed deposition.

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 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 in March 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. New counsel for Plaintiffs entered his appearance in the case on behalf of the Plaintiffs in May 2009.

The Company also filed a Motion for Partial Summary Judgment as to several claims in the Complaint, which the Judge granted in September, 2009. In October, 2009 Plaintiffs filed a Motion to Correct Error, Reconsider and Vacate Order; Request for Clarification; Alternatively, Motion for Certification of Appeal of Interlocutory Order and For Stay of Proceeding Pending Appeal. In January, 2010, the court denied Plaintiffs' Motion and in the same Order the court denied Plaintiffs' Motion for Certification of Appeal of Interlocutory Order and for Stay of Proceedings Pending Appeal. Further, the court denied Plaintiffs' request to amend their Complaint. In February, 2010, counsel for the Plaintiffs filed a Notice of Appeal with the Indiana Court of Appeals. Defendants' Counsel is preparing a Brief in Opposition to the appeal, both for lack of jurisdiction and also on the merits. The Brief in Opposition is due to be filed on or before May 15, 2010.

Certain Defendants were scheduled for depositions by Plaintiffs' counsel during the week of August 24, 2009, however, Plaintiff's counsel canceled those depositions. They were scheduled again for deposition during the week of November 9, 2009, however, Plaintiffs' counsel canceled those depositions. Defendants had been rescheduled for depositions during the week of March 15, 2010, however, on March 12, 2010 Plaintiffs' counsel again canceled those depositions stating the reason was because of an unidentified family emergency. Because Defendants and Defendants' counsel had expended a significant amount of time and money preparing for depositions that were canceled right before the deposition dates, Defendants filed a Motion for Protective Order prohibiting the

depositions of Defendants unless just cause is demonstrated for Plaintiffs' cancellation of Defendants' deposition previously scheduled to occur on March 15, 2010 through March 19, 2010. On April 28, 2010, the court notified Plaintiffs' counsel to submit under seal the specific reasons why he canceled Defendants' depositions by May 7, 2010 in order to rule on Defendants' Motion for Protective Order. If Plaintiffs' counsel does not submit those reasons by May 7, 2010, the court will rule on the existing pleadings.

Defendants have filed Motions for Summary Judgment as to some of the Plaintiffs as a result of their testimony at depositions and are in the process of preparing motions for Summary Judgment against all of the other Plaintiffs whose depositions have been taken. In his Order of February 2, 2010, the Judge set a deadline of April 30, 2010 for filing of all remaining Motions for Summary

Judgment, a deadline of June 4, 2010 for Plaintiffs' Response to the Motions and a deadline of June 18, 2010 for Defendants' Reply to Responses. Because of the difficulty in scheduling Plaintiffs for deposition by Defendants, in the Court's Order of April 29, 2010, the Court extended the deadline for filing summary judgment motions to May 31, 2010, the deadline for any responses to those motions to July 5, 2010 and the deadline for any reply brief to that response to July 19, 2010.

On April 30, 2010, Plaintiffs Marikate Morris, Paul Morris and Kapza, Inc. filed a Motion to Voluntarily Dismiss Claims with the Court in which they requested that the Court dismiss with prejudice all of their claims against the Defendants. In the Motion, the moving Plaintiffs do not request that the Court dismiss the Company's counter-claim against the moving Plaintiffs, and, accordingly, counter-claim will not be affected by the Court's eventual ruling on the Motion.

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 20.

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: May 6, 2010

By: /s/ Paul W. Mobley

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

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 Form 8-K filed December 24, 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 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.

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.