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NOBLE ROMANS INC  
Form 10-Q  
August 10, 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 June 30, 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

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

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

Large Accelerated Filer --- 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

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As of August 6, 2010, there were 19,412,499 shares of Common Stock, no par  
value, outstanding.

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## PART I - FINANCIAL INFORMATION

### ITEM 1. Financial Statements

The following unaudited condensed consolidated financial statements are included herein:

Condensed consolidated balance sheets as of December 31, 2009 and June 30, 2010 (unaudited)	Page 3
Condensed consolidated statements of operations for the three months and six months ended June 30, 2009 and 2010 (unaudited)	Page 4
Condensed consolidated statements of changes in stockholders' equity for the six months ended June 30, 2010 (unaudited)	Page 5
Condensed consolidated statements of cash flows for the six months ended June 30, 2009 and 2010 (unaudited)	Page 6
Notes to condensed consolidated financial statements (unaudited)	Page 7

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

	December 31, 2009	June 20
	-----	-----
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 333,204	\$ 2
Accounts and notes receivable - net	1,343,500	1,6
Inventories	239,006	2
Assets held for resale	243,527	2
Prepaid expenses	241,852	4
Deferred tax asset - current portion	1,050,500	1,0
	-----	-----
Total current assets	3,451,589	3,8
	-----	-----
<b>Property and equipment:</b>		
Equipment	1,133,312	1,1
Leasehold improvements	96,512	
	-----	-----
	1,229,824	1,2
Less accumulated depreciation and amortization	790,134	8

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Net property and equipment	439,690	4
Deferred tax asset (net of current portion)	10,703,594	10,2
Other assets including long-term portion of notes receivable	2,087,644	2,6
	-----	-----
Total assets	\$ 16,682,517	\$ 17,0
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term note payable	\$ 1,500,000	\$ 1,5
Accounts payable and accrued expenses	434,665	8
	-----	-----
Total current liabilities	1,934,666	2,3
	-----	-----
Long-term obligations:		
Note payable to bank (net of current portion)	4,125,000	3,3
	-----	-----
Total long-term liabilities	4,125,000	3,3
	-----	-----
Stockholders' equity:		
Common stock - no par value (25,000,000 shares authorized, 19,412,499 issued and outstanding as of December 31, 2009 and June 30, 2010)	23,074,160	23,0
Preferred stock (5,000,000 shares authorized and 20,625 issued and outstanding as of December 31, 2009 and June 30, 2010)	800,250	8
Accumulated deficit	(13,251,559)	(12,5
	-----	-----
Total stockholders' equity	10,622,851	11,3
	-----	-----
Total liabilities and stockholders' equity	\$ 16,682,517	\$ 17,0
	=====	=====

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,	
	2009	2010	2009	2010
	-----	-----	-----	-----
Royalties and fees	\$ 1,739,821	\$ 1,678,775	\$ 3,499,434	\$ 3,499,434
Administrative fees and other	24,993	14,458	37,555	37,555
Restaurant revenue	138,742	139,081	257,635	257,635
	-----	-----	-----	-----
Total revenue	1,903,556	1,832,314	3,794,624	3,794,624
Operating expenses:				
Salaries and wages	269,581	245,129	543,730	543,730
Trade show expense	76,611	75,703	152,228	152,228
Travel expense	33,601	36,764	78,133	78,133
Sales commissions	--	--	3,627	3,627
Other operating expenses	196,314	176,043	388,263	388,263

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Restaurant expenses	132,802	135,495	250,825	
Depreciation and amortization	20,561	13,645	39,899	
General and administrative	369,357	414,973	722,759	
	-----	-----	-----	-----
Total expenses	1,098,827	1,097,751	2,179,464	2,
	-----	-----	-----	-----
Operating income	804,729	734,563	1,615,160	1,
	-----	-----	-----	-----
Interest and other expense	117,141	114,141	237,456	
	-----	-----	-----	-----
Income before income taxes	687,588	620,422	1,377,704	1,
	-----	-----	-----	-----
Income tax expense	272,354	245,749	545,709	
	-----	-----	-----	-----
Net income	415,234	374,673	831,995	
	-----	-----	-----	-----
Cumulative preferred dividends	16,274	24,411	32,910	
	-----	-----	-----	-----
Net income available to common stockholders	\$ 398,960	\$ 350,262	\$ 799,085	\$
	=====	=====	=====	=====
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	19,412,499	19,412,499	19,412,499	19,
Diluted earnings per share:				
Net income	\$ .02	\$ .02	\$ .04	\$
Weighted average number of common shares outstanding	19,909,365	20,065,298	19,909,365	20,

See accompanying notes to condensed consolidated financial statements.

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

	Preferred Stock	Common Stock Shares	Common Stock Amount	Accumulated Deficit
	-----	-----	-----	-----
Balance at December 31, 2008	\$ 800,250	19,412,499	\$ 23,023,250	\$ (14,861,176)
2009 net income				1,675,617
Cumulative preferred dividends				(66,000)
Amortization of value of employee stock options			50,910	
	-----	-----	-----	-----
Balance at December 31, 2009	\$ 800,250	19,412,499	\$ 23,074,160	\$ (13,251,559)

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Net income for six months ended June 30, 2010				726,339
Cumulative preferred dividends				(41,046)
Amortization of value of employee stock options			17,367	
Balance at June 30, 2010	\$ 800,250	19,412,499	\$ 23,091,527	\$ (12,566,266)

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, 2009	2010
	-----	-----
OPERATING ACTIVITIES		
Net income	\$ 831,995	\$ 726,339
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	94,558	70,336
Deferred income taxes	545,709	476,409
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and notes receivable	(442,334)	(234,701)
Inventories	23,127	13,989
Prepaid expenses	1,312	(212,847)
Other assets	(75,063)	(579,908)
Increase in:		
Accounts payable and accrued expenses	89,355	580,872
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,068,659	840,489
INVESTING ACTIVITIES		
Purchase of property and equipment	(23,699)	(2,591)
Investments in assets held for resale	(27)	--
NET CASH USED IN INVESTING ACTIVITIES	(23,726)	(2,591)
FINANCING ACTIVITIES		
Payment of obligations from discontinued operations	(451,293)	(138,321)
Payment of cumulative preferred dividends	(32,910)	(41,046)
Payment of principal on outstanding debt	(750,000)	(750,000)
NET CASH USED IN FINANCING ACTIVITIES	(1,234,203)	(929,367)

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Decrease in cash	(189,270)	(91,469)
Cash at beginning of period	450,968	333,204
	-----	-----
Cash at end of period	\$ 261,698	\$ 241,735
	=====	=====

Supplemental schedule of non-cash investing and financing activities

None.

Cash paid for interest	\$ 219,257	\$ 184,262
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See accompanying notes to condensed consolidated financial statements.

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### Notes to Condensed Consolidated Financial Statements (Unaudited)

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Note 1 - The accompanying unaudited interim condensed consolidated financial statements, included herein, have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated financial 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 its subsidiaries.

In the opinion of the management of the Company, the information contained herein reflects all adjustments necessary for a fair presentation of the results of operations and cash flows for the interim periods presented and the financial condition as of the dates indicated, which adjustments are of a normal recurring nature. The results for the six-month period ended June 30, 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 \$55,500 and \$119,500 for the three-month and six-month periods ended June 30, 2010, respectively, and \$37,000 and \$65,600 for the three-month and six-month periods ended June 30, 2009, respectively, for initial franchise fees. Royalties and fees include \$27,908 and \$87,592 for the three-month and six-month periods ended June 30, 2010, respectively, and \$20,338 and \$76,361 for the three-month and six-month periods ended June 30, 2009, respectively, for equipment commissions. Royalties and fees, less initial franchise fees and equipment commissions were \$1,595,367 and \$3,107,339 for the three-month and six-month periods ended June 30, 2010, respectively, and \$1,682,483 and \$3,357,473 for the three-month and six-month periods ended June 30, 2009, respectively. These decreases were a result of the closings of some of the traditional franchises in the amount of \$92,156 and \$194,539 during the comparable periods and a decreases in ongoing royalties and fees from the non-traditional units other than grocery stores of \$63,344 and \$168,619 during the comparable periods. This decrease was partially offset by an increase in royalties and fees from the grocery store take-n-bake operations in the amount of \$68,384 and \$113,024 during the respective periods.

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There were 834 outlets in operation on December 31, 2009 and 955 outlets on June 30, 2010. During the six-month period ended June 30, 2010, there were 142 new outlets opened and 21 outlets closed.

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Note 3 - The following table sets forth the calculation of basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2010:

	Three Months Ended June 30, 2010		
	Income	Shares	Per-Share
	(Numerator)	(Denominator)	Amount
Net income	\$ 374,673	19,412,499	\$ .02
Less preferred stock dividends	(24,411)		
	350,262		
Earnings per share - basic			.02
Income available to common stockholders			
Effect of dilutive securities			
Warrants		0	
Options		286,133	
Convertible preferred stock	24,411	366,666	
	24,411	366,666	
Diluted earnings per share			
Income available to common stockholders and assumed conversions	\$ 374,673	20,065,298	\$ .02
	Six Months Ended June 30, 2010		
	Income	Shares	Per-Share
	(Numerator)	(Denominator)	Amount
Net income	\$ 726,339	19,412,499	\$ .04
Less preferred stock dividends	(41,046)		
	685,293		
Earnings per share - basic			.04
Income available to common stockholders			
Effect of dilutive securities			
Warrants		0	
Options		286,133	
Convertible preferred stock	41,046	366,666	
	41,046	366,666	
Diluted earnings per share			
Income available to common stockholders and assumed conversions	\$ 726,339	20,065,298	\$ .04

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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 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

	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 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



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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

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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 Judge found the Villasenor Plaintiffs in a Contempt of Court Order and dismissed with prejudice the claims filed by Plaintiffs Henry and Brenda Villasenor and H&B Villasenor Investments, Inc. against the Company and the Company's officers that were named in this action. The Defendants originally were the Company, Paul W. Mobley, 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 was completed July 19, 2010 and the Judge has denied Plaintiffs' request for an extension of the discovery deadlines. To date, all of the remaining Plaintiffs have been deposed except Soltero Plaintiffs. Plaintiffs' counsel withdrew representation of Soltero Plaintiffs and counsel for Defendants has been unable to locate the Soltero Plaintiffs.

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 Court granted the Company's Motion ordering Plaintiffs to fully comply with the preliminary injunction order.

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 Court 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. The Court also denied Plaintiffs' request to

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amend their Complaint. In February, 2010, counsel for the Plaintiffs filed a Notice of Appeal with the Indiana Court of Appeals and subsequently filed their Brief of Appellants. Defendants' Counsel filed a Brief of Appellees in opposition to the appeal, both for lack of jurisdiction and also on the merits. The Plaintiffs did not file a Reply Brief. Briefing is completed and the parties are now awaiting a decision from the Indiana Court of Appeals. The Court of Appeals has not scheduled an oral argument for this appeal.

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Defendants have all been deposed by Plaintiffs' counsel.

Defendants have filed Motions for Summary Judgment as to all of the Plaintiffs as a result of their deposition testimony. Through various extensions, the Court has now set a deadline of August 12, 2010 for Plaintiffs to file their responses to Defendants' Motions for Summary Judgment against all remaining Plaintiffs and has ruled that Plaintiffs cannot request any further extensions of time in this respect. Pursuant to the Court's mandate, Defendants will have 14 days after Plaintiffs file their response briefs to file any Reply Briefs in support of Defendants' summary judgment motions. Once summary judgment briefing has concluded, the Court will set a hearing on the Motions for Summary Judgment upon the parties' request, or issue a ruling on the briefs.

The Defendants' counterclaims against all of the original Plaintiffs are still pending. The counterclaims are not affected by the withdrawal of Plaintiffs Marikate Morris, Paul Morris and Kapza, Inc., or by the dismissal of the claims by Henry Villasenor, Brenda Villasenor and H&B Villasenor Investments, Inc. and thus remain viable.

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

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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

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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:

- 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

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- o 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.

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- 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.

### Noble Roman's Take-N-Bake Pizza

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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 started offering take-n-bake pizza to grocery store chains in September 2009.

As of June 30, 2010, the Company had signed agreements for 190 grocery store locations to operate the take-n-bake pizza program, 166 of which were open at that time. As of August 6, 2010, the Company had signed agreements for 234 grocery store locations to operate the take-n-bake pizza program, 180 of which were open at that time and the Company anticipates the opening of the remaining 54 locations within the next 30 days. Many of the grocery store chains that have signed agreements for certain of their grocery store locations to operate the take-n-bake pizza program have indicated their intent to enter into agreements for the remainder of their grocery stores. The Company expects to sign several additional units with existing chains and is also in discussions with several other grocery store chains. The Company also recently signed an agreement with a grocery distribution company which services approximately 1,700 grocery stores in the western United States. This agreement provides for the grocery distributor to stock the Company's proprietary products for distribution to their customers and promote take-n-bake to all of their 1,700 customers. The take-n-bake program has been integrated into the operations of many of the Company's existing convenience store franchises, which has generated significant add-on sales, and is now being offered to all franchise prospects for convenience stores. 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

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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

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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.

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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.

### 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 credit 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.

With the major focus being on non-traditional franchising, the Company's requirements for overhead and operating cost are limited. The Company does not intend to operate any franchise locations other than the two locations it uses for testing and demonstration purposes. This allows for a complete focus on selling and servicing franchises and licenses to capitalize on the attractive opportunity for increased unit growth in non-traditional franchises and the take-n-bake license for grocery stores.

**Enhance Product Offerings.** As an addition to the other service systems offered in its Noble Roman's Pizza and Tuscano's Italian Style Subs concepts, the Noble Roman's 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.

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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.

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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

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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 and six-month periods ended June 30, 2009 and 2010, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
	-----		-----	
	2009	2010	2009	2010
	-----		-----	
Royalties and fees	91.4 %	91.6 %	92.2 %	92.4 %
Administrative fees and other	1.3	.8	1.0	.6
Restaurant revenue	7.3	7.6	6.8	7.0
	-----		-----	
Total revenue	100.0	100.0	100.0	100.0
	-----		-----	
Operating expenses:				
Salaries and wages	14.2	13.4	14.3	13.5
Trade show expense	4.0	4.1	4.0	4.2

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Travel expense	1.8	2.0	2.1	2.0
Sales commissions	-	-	.1	-
Other operating expense	10.3	9.7	10.2	10.2
Restaurant expenses	7.0	7.4	6.6	6.9
Depreciation and amortization	1.1	.8	1.1	.9
General and administrative	19.4	22.6	19.0	22.6
	-----	-----	-----	-----
Total expenses	57.8	60.0	57.4	60.3
	-----	-----	-----	-----
Operating income	42.2	40.0	42.6	39.7
Interest and other expense	6.2	6.2	6.3	6.2
	-----	-----	-----	-----
Income before income taxes	36.0	33.8	36.3	33.5
Income tax expense	14.2	13.3	14.4	13.3
	-----	-----	-----	-----
Net income	21.8 %	20.5 %	21.9 %	20.2 %
	=====	=====	=====	=====

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### Results of Operations

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Total revenue decreased from \$1,903,556 to \$1,832,314 and from \$3,794,624 to \$3,587,446 for the three-month and six-month periods ended June 30, 2010 compared to the corresponding periods in 2009, respectively. One-time fees, franchisee fees and equipment commissions, increased from \$57,338 and \$141,961 to \$83,408 and \$207,092 during the three-month and six-month periods ended June 30, 2010 compared to the corresponding periods in 2009. Ongoing royalties and fees decreased from \$1,682,483 to \$1,595,367 and from \$3,357,473 to \$3,107,339 for the three-month and six-month periods ended June 30, 2010 compared to the corresponding periods in 2009. Of this decrease, \$92,156 and \$194,539 resulted from traditional franchise closings and \$63,344 and \$168,619 resulted from a decrease in ongoing royalties and fees from non-traditional units other than grocery stores for the three-month and six-month periods ended June 30, 2010 compared to the corresponding periods in 2009. These decreases were partially offset by an increase in ongoing royalties and fees of \$68,384 and \$113,024 from the grocery store take-n-bake additions for the comparable periods. The rate of decrease in ongoing royalties and fees for non-traditional units other than grocery stores was much lower in the second quarter than the first quarter and management believes that trend will continue for the remainder of the year.

Restaurant revenue increased from \$138,742 to \$139,081 for the three-month period and decreased from \$257,635 to \$252,307 for the six-month period ended June 30, 2010 compared to the corresponding period in 2009. The Company does not intend to operate restaurants except for the two locations that it uses for testing and demonstration purposes.

Salaries and wages decreased from 14.2% to 13.4% and from 14.3% to 13.5% of total revenue for the three-month and six-month periods ended June 30, 2010, respectively, compared to the corresponding periods in 2009. These decreases were the result of the Company's strategy to grow by concentrating its efforts on franchising non-traditional locations. The reductions were partially offset by the decrease in revenue as explained in the discussion above regarding total revenue.

Trade show expenses increased from 4.0% to 4.1% and from 4.0% to 4.2% of total revenue for the three-month and six-month periods ended June 30, 2010, respectively, compared to the corresponding periods in 2009. This increase was the result of the reductions in revenue. Trade show expenses were \$75,703 and

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\$150,841 in the three-month and six-month periods ended June 30, 2010, respectively, compared to \$76,611 and \$152,228 for the corresponding periods in 2009.

Travel expenses increased from 1.8% to 2.0% and decreased from 2.1% to 2.0% of total revenue for the three-month and six-month periods ended June 30, 2010, respectively, compared to the corresponding periods in 2009. Actual travel expense increased from \$33,601 to \$36,764 and decreased from \$78,133 to \$73,003 for the three-month and six-month periods ended June 30, 2010, respectively, compared to the corresponding periods in 2009. This increase during the second quarter was the result of opening more units during that quarter and the decrease in the year-to-date 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.

Other operating expenses decreased from 10.3% to 9.7% and remained constant at 10.2% of total revenue for the three-month and six-month periods ended June 30, 2010, respectively, compared to the corresponding periods in 2009. Actual operating expenses decreased from \$196,314 to \$176,043 and from \$388,263 to \$366,558 for the three-month and six-month periods ended June 30, 2010, respectively, compared to the corresponding periods in 2009. These decreases in operating expenses were the result of the Company's efforts to control expenses.

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Restaurant expenses increased from 7.0% to 7.4% and from 6.6% to 6.9% of total revenue for the three-month and six-month periods ended June 30, 2010, respectively, compared to the corresponding periods in 2009. The Company operates two locations for testing and demonstration purposes.

General and administrative expenses increased from 19.4% to 22.6% and from 19.0% to 22.6% of total revenue for the three-month and six-month periods ended June 30, 2010, respectively, compared to the corresponding periods in 2009. Actual general and administrative expense increased from \$369,357 to \$414,973 and from \$722,759 to \$809,776 for the three-month and six-month periods ended June 30, 2010, respectively, compared to the corresponding periods in 2009. The increase in year-to-date expenses was the result of an increase in legal expenses of \$46,415 primarily as a result of the cost of the Company's annual meeting of shareholders and related correspondence, an increase of rent expense of \$44,010 and an increase in Directors' fees of \$9,000 as a result of increasing the size of the Board of Directors, which were partially offset by a reduction in other expenses. The Company had no rent expense for the first three months in 2009 due to the building housing the Company's leased offices being under massive remodeling. The Company's old office lease expired in December 2008 and the new lease did not commence until the remodel was complete in April 2009.

Total expenses increased from 57.8% to 60.0% and from 57.4% to 60.3% of total revenue for the three-month and six-month periods ended June 30, 2010, respectively, compared to the corresponding periods in 2009. Actual expenses decreased from \$1,098,827 to \$1,097,751 and from \$2,179,464 to \$2,161,157 for the three-month and six-month periods ended June 30, 2010, respectively, compared to the corresponding periods in 2009. These decreases were due to the Company's efforts to control expenses, while the percentage increases were the result of the reduction in revenue as explained above.

Operating income decreased from 42.2% to 40.0% and from 42.6% to 39.7% of total revenue for the three-month and six-month periods ended June 30, 2010, respectively, compared to the corresponding periods in 2009. The primary reason for this decrease was the reduction in revenue with only a slight decrease in total expenses as explained above.

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Interest expense remained nearly constant at approximately 6.2% of total revenue for the three-month and six-month periods ended June 30, 2010 and 2009. This was the result of a combination of a decrease in notes payable outstanding and lower interest rates offset by a decrease in revenue as explained above

Net income decreased from \$415,235 to \$374,673 and from \$831,995 to \$726,339 for the three-month and six-month periods ended June 30, 2010, respectively, compared to the corresponding periods in 2009. The primary reason for this decrease was the decrease in revenue with only a slight decrease in expenses as previously explained.

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### Liquidity and Capital Resources

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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 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. Additionally, the Company does not operate any restaurants except for two locations for testing and demonstration purposes. This strategy requires limited overhead and operating expense and does not require significant capital investment.

The Company's current ratio was 1.6-to-1 as of June 30, 2010 compared to 1.8-to-1 at December 31, 2009.

The net cash provided by operating activities was \$840,489 for the six-month period ended June 30, 2010 and \$1,068,659 for the corresponding period in 2009. Net cash used in financing activities was \$929,367 in the six-month period ended June 30, 2010 compared to \$1,234,203 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

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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



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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 June 30, 2010, the Company had outstanding interest-bearing debt in the aggregate principal amount of \$4.875 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 August 6, 2010 of \$4.625 million for each 1.0% increase in LIBOR, the Company would incur increased interest expense of approximately \$19,688 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 Judge found the Villasenor Plaintiffs in a Contempt of Court Order and dismissed with prejudice the claims filed by Plaintiffs Henry and Brenda Villasenor and H&B Villasenor Investments, Inc. against the Company and the Company's officers that were named in this action. The Defendants originally were the Company, Paul W. Mobley, A. Scott Mobley, Troy Branson, Mitch Grunat, CIT Small Business Lending Corporation and PNC Bank. The Court has dismissed the

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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 was completed July 19, 2010 and the

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Judge has denied Plaintiffs' request for an extension of the discovery deadlines. To date, all of the remaining Plaintiffs have been deposed except Soltero Plaintiffs. Plaintiffs' counsel withdrew representation of Soltero Plaintiffs and counsel for Defendants has been unable to locate the Soltero Plaintiffs.

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 Court granted the Company's Motion ordering Plaintiffs to fully comply with the preliminary injunction order.

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 Court 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. The Court also 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 and subsequently filed their Brief of Appellants. Defendants' Counsel filed a Brief of Appellees in opposition to the appeal, both for lack of jurisdiction and also on the merits. The Plaintiffs did not file a Reply Brief. Briefing is completed and the parties are now awaiting a decision from the Indiana Court of Appeals. The Court of Appeals has not scheduled an oral argument for this appeal.

Defendants have all been deposed by Plaintiffs' counsel.

Defendants have filed Motions for Summary Judgment as to all of the Plaintiffs as a result of their deposition testimony. Through various extensions, the Court

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has now set a deadline of August 12, 2010 for Plaintiffs to file their responses to Defendants' Motions for Summary Judgment against all remaining Plaintiffs and has ruled that Plaintiffs cannot request any further extensions of time in this respect. Pursuant to the Court's mandate, Defendants will have 14 days after Plaintiffs file their response briefs to file any Reply Briefs in support of Defendants' summary judgment motions. Once summary judgment briefing has concluded, the Court will set a hearing on the Motions for Summary Judgment upon the parties' request, or issue a ruling on the briefs.

The Defendants' counterclaims against all of the original Plaintiffs are still pending. The counterclaims are not affected by the withdrawal of Plaintiffs Marikate Morris, Paul Morris and Kapza, Inc., or by the dismissal of the claims by Henry Villasenor, Brenda Villasenor and H&B Villasenor Investments, Inc. and thus remain viable.

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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 21.

### 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, 2010

By: /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

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- 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.

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- 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.