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NOBLE ROMANS INC  
Form 10-Q  
August 10, 2011

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, 2011

Commission file number: 0-11104

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

Indiana  
(State or other jurisdiction  
of organization)

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

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

46204  
(Zip Code)

(317) 634-3377  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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   
(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

As of August 5, 2011, there were 19,469,317 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, 2010 and June 30, 2011 (unaudited)                             | Page 3 |
| Condensed consolidated statements of operations for the three and six months ended June 30, 2010 and 2011 (unaudited)   | Page 4 |
| Condensed consolidated statements of changes in stockholders' equity for the six months ended June 30, 2011 (unaudited) | Page 5 |
| Condensed consolidated statements of cash flows for the six months ended June 30, 2010 and 2011 (unaudited)             | Page 6 |
| Notes to condensed consolidated financial statements (unaudited)  | Page 7 |

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

|  | Assets | December 31,<br>2010   | June 30<br>2011     |
|--|--------|------------------------|---------------------|
|  |        | -----                  | -----               |
| Current assets:                                |        |                        |                     |
| Cash   |        | \$ 337,044             | \$ 227,             |
| Accounts and notes receivable - net            |        | 920,304                | 1,150,              |
| Inventories                                    |        | 316,913                | 318,                |
| Assets held for resale                         |        | 246,278                | 249,                |
| Prepaid expenses                               |        | 235,778                | 333,                |
| Deferred tax asset - current portion           |        | 1,400,000              | 1,400,              |
| Total current assets                           |        | -----<br>3,456,317     | -----<br>3,678,     |
| Property and equipment:                        |        |                        |                     |
| Equipment                                      |        | 1,139,050              | 1,143,              |
| Leasehold improvements                         |        | 12,283                 | 12,                 |
| Total  |        | -----<br>1,151,333     | -----<br>1,155,     |
| Less accumulated depreciation and amortization |        | 784,282                | 816,                |
| Net property and equipment                     |        | 367,051                | 338,                |
| Deferred tax asset (net of current portion)    |        | 10,150,558             | 9,654,              |
| Other assets                                   |        | 2,920,853              | 3,339,              |
| Total assets                                   |        | -----<br>\$ 16,894,779 | -----<br>\$ 17,011, |
|  |        | =====                  | =====               |

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| Liabilities and Stockholders' Equity   |               |               |
|--|---------------|---------------|
| Current liabilities:   |               |               |
| Current portion of long-term note payable to bank  | \$ 1,875,000  | \$ 1,925,000  |
| Accounts payable and accrued expenses  | 654,319       | 240,000       |
| Total current liabilities  | 2,529,319     | 2,165,000     |
| Long-term obligations:   |               |               |
| Note payable to bank (net of current portion)  | 2,625,000     | 2,275,000     |
| Note payable to officer  | 855,821       | 905,000       |
| Total long-term liabilities  | 3,480,821     | 3,180,000     |
| Stockholders' equity:  |               |               |
| Common stock - no par value (25,000,000 shares authorized, 19,419,317 issued and outstanding as of December 31, 2010 and 19,469,317 as of June 30, 2011) | 23,116,317    | 23,188,000    |
| Preferred stock (5,000,000 shares authorized and 20,625 issued and outstanding as of December 31, 2010 and June 30, 2011)                                | 800,250       | 800,000       |
| Accumulated deficit  | (13,031,928)  | (12,324,000)  |
| Total stockholders' equity   | 10,884,639    | 11,664,000    |
| Total liabilities and stockholders' equity   | \$ 16,894,779 | \$ 17,011,000 |

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 |                  | Six Months Ended |
|-------------------------------|--------------------|------------------|------------------|
|                               | June 30,<br>2010   | June 30,<br>2011 | June 30,<br>2010 |
| Royalties and fees            | \$ 1,678,775       | \$ 1,731,802     | \$ 3,314,431     |
| Administrative fees and other | 14,458             | 11,018           | 20,708           |
| Restaurant revenue            | 139,081            | 137,670          | 252,307          |
| Total revenue                 | 1,832,314          | 1,880,490        | 3,587,446        |
| Operating expenses:           |                    |                  |                  |
| Salaries and wages            | 245,129            | 247,497          | 485,516          |
| Trade show expense            | 75,703             | 93,247           | 150,841          |
| Travel expense                | 36,764             | 52,589           | 73,003           |
| Other operating expenses      | 176,043            | 176,290          | 366,558          |
| Restaurant expenses           | 135,495            | 129,903          | 247,244          |
| Depreciation and amortization | 13,645             | 36,311           | 28,219           |
| General and administrative    | 414,973            | 403,430          | 809,776          |
| Total expenses                | 1,097,751          | 1,139,267        | 2,161,157        |
| Operating income              | 734,563            | 741,223          | 1,426,289        |

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|  |            |            |            |    |
|--|------------|------------|------------|----|
| Interest and other expense                           | 114,141    | 97,207     | 223,541    |    |
|  | -----      | -----      | -----      |    |
| Income before income taxes                           | 620,422    | 644,016    | 1,202,748  |    |
| Income tax expense                                   | 245,749    | 255,097    | 476,409    |    |
|  | -----      | -----      | -----      |    |
| Net income   | 374,673    | 388,919    | 726,339    |    |
| Cumulative preferred dividends                       | 24,411     | 24,411     | 41,046     |    |
|  | -----      | -----      | -----      |    |
| Net income available to common stockholders          | \$ 350,262 | \$ 364,508 | \$ 685,293 | \$ |
|  | =====      | =====      | =====      |    |
| 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 | 19,469,317 | 19,412,499 |    |
| Diluted earnings per share:                          |            |            |            |    |
| Net income   | \$ .02     | \$ .02     | \$ .04     | \$ |
| Net income available to common stockholders          | \$ .02     | \$ .02     | \$ .03     | \$ |
| Weighted average number of common shares outstanding | 20,065,298 | 20,183,876 | 20,065,298 |    |

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 | Stock Amount  | Accumulated Deficit |
|---|-----------------|---------------------|---------------|---------------------|
|   | -----           | -----               | -----         | -----               |
| Balance at December 31, 2010                  | \$ 800,250      | 19,419,317          | \$ 23,116,317 | \$(13,031,928)      |
| Net income for six months ended June 30, 2011 |                 |                     |               | 756,933             |
| Cumulative preferred dividends                |                 |                     |               | (49,364)            |
| Exercise of employee stock options            |                 | 50,000              | 18,000        |                     |
| Amortization of value of stock options        |                 |                     | 54,265        |                     |
|   | -----           | -----               | -----         | -----               |
| Balance at June 30, 2011                      | \$ 800,250      | 19,469,317          | \$ 23,188,582 | \$(12,324,359)      |
|   | =====           | =====               | =====         | =====               |

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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, |                  |
|---|---------------------------|------------------|
|   | 2010                      | 2011             |
| <b>OPERATING ACTIVITIES</b>   |                           |                  |
| Net income  | \$ 726,339                | \$ 756,933       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                           |                  |
| Depreciation and amortization   | 70,336                    | 106,112          |
| Deferred income taxes   | 476,409                   | 496,478          |
| Changes in operating assets and liabilities:                                      |                           |                  |
| (Increase) decrease in:   |                           |                  |
| Accounts and notes receivable   | (234,701)                 | (242,926)        |
| Inventories   | 13,989                    | (1,216)          |
| Prepaid expenses  | (212,847)                 | (97,290)         |
| Other assets  | (579,908)                 | (454,990)        |
| Decrease in:  |                           |                  |
| Accounts payable and accrued expenses   | (29,128)                  | (28,551)         |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                  | <b>230,489</b>            | <b>534,550</b>   |
| <b>INVESTING ACTIVITIES</b>   |                           |                  |
| Purchase of property and equipment  | (2,591)                   | (4,196)          |
| Investment in assets held for sale  | --                        | (3,393)          |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                                      | <b>(2,591)</b>            | <b>(7,589)</b>   |
| <b>FINANCING ACTIVITIES</b>   |                           |                  |
| Payment of obligations from discontinued operations                               | (138,321)                 | (379,642)        |
| Payment of cumulative preferred dividends   | (41,046)                  | (49,364)         |
| Payment of principal on outstanding debt  | (750,000)                 | (305,801)        |
| Proceeds from the exercise of stock options                                       | --                        | 18,000           |
| Principal payment received on notes receivable                                    | --                        | 29,947           |
| Proceeds from officer loan  | 610,000                   | 50,000           |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                                      | <b>(319,367)</b>          | <b>(636,860)</b> |
| Decrease in cash  | (91,469)                  | (109,899)        |
| Cash at beginning of period   | 333,204                   | 337,044          |
| Cash at end of period   | \$ 241,735                | \$ 227,145       |

Supplemental schedule of non-cash investing and financing activities

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None.

|                        |            |            |
|------------------------|------------|------------|
| Cash paid for interest | \$ 184,262 | \$ 173,456 |
|------------------------|------------|------------|

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 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, 2010 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, 2011 are not necessarily indicative of the results to be expected for the full year ending December 31, 2011.

Note 2 - On July 19, 2011, the Company entered into a Fourth Amendment to Loan Agreement (the "Amendment") with Wells Fargo Bank, National Association ("Wells Fargo") that amended the existing Loan Agreement dated August 25, 2005, between the Company and Wells Fargo, as previously amended by a certain First Amendment to Loan Agreement dated February 4, 2008, a certain Second Amendment to Loan Agreement dated November 10, 2010, and a certain Third Amendment to Loan Agreement dated March 10, 2011 (as so amended, the "Loan Agreement"). The Amendment reduces monthly principal payments and shortens the maturity date for borrowings under the Loan from August 13, 2013 to October 1, 2012 at which date the principal balance payable will be \$1,675,000. The Amendment maintains the current interest rate applicable to amounts borrowed under the Loan Agreement of LIBOR plus 4.25% per annum, but increases the interest rate applicable to amounts borrowed under the Loan Agreement after June 1, 2012 to LIBOR plus 7.25% per annum.

Note 3 - At various times, Paul W. Mobley, the Company's Chairman of the Board and Chief Executive Officer, made advances to the Company to help fund principal payments due under its bank loan and payments related to discontinued operations. The payments related to the discontinued operations were largely for legal fees related to the Heyser lawsuit, which is described in Note 6 to the accompanying unaudited condensed consolidated financial statements in this report and in Note 10 of the Company's consolidated financial statements included in its Form 10-K for the year ended December 31, 2010. The Company issued an amended note in July 2011 in the principal amount of \$1,055,821 to reflect the advances. The note provides for interest at the rate of 8% per annum to be paid monthly on the unpaid principal balance of the note and continuing on the first day of each calendar month thereafter until the note is paid in full. The Company is current on the required interest payments. In addition, the note requires principal payments commencing on November 1, 2012 and on the first day

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of each calendar month thereafter up to and including March 1, 2013 in the amount of \$200,000 per month with a final payment of any remaining principal balance to be paid on April 1, 2013.

Note 4 - Royalties and fees include \$74,985 and \$127,485 for the three-month and six-month periods ended June 30, 2011, respectively, and \$55,500 and \$119,500 for the three-month and six-month periods ended June 30, 2010, respectively, of initial franchise fees. Royalties and fees included \$8,354 and \$18,478 for the

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three-month and six-month periods ended June 30, 2011 and \$27,908 and \$87,592 for the three-month and six-month periods ended June 30, 2010, respectively, of equipment commissions. Royalties and fees, less initial franchise fees and equipment commissions were \$1,648,462 and \$3,260,626 for the three-month and six-month periods ended June 30, 2011 and \$1,595,367 and \$3,107,339 for the three-month and six-month periods ended June 30, 2010, respectively. The breakdown of royalties and fees, less upfront fees, are royalties and fees from non-traditional franchises other than grocery stores were \$1,111,428 and \$2,162,306 for the three-month and six-month periods ended June 30, 2011, respectively, and \$1,060,879 and \$2,056,528 for the three-month and six-month periods ended June 30, 2010, respectively; royalties and fees from the grocery store take-n-bake were \$264,739 and \$547,600 for the three-month and six-month periods ended June 30, 2011, respectively, and \$68,385 and \$113,025 for the three-month and six-month periods ended June 30, 2010, respectively; and royalties and fees from traditional locations were \$272,296 and \$550,720 for the three-month and six-month periods ended June 30, 2011, respectively, and \$466,103 and \$937,786 for the three-month and six-month periods ended June 30, 2010, respectively. The Company has no material amount of past due royalties.

There were 1,112 franchises in operation on December 31, 2010 and 1,331 franchises in operation on June 30, 2011. During the six-month period ended June 30, 2011 there were 227 new outlets opened and 8 outlets closed. The breakdown of the 1,331 franchises at June 30, 2011 was 752 non-traditional franchises other than grocery stores, 537 grocery stores and 42 traditional franchises.

Note 5 - The following table sets forth the calculation of basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2011:

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

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|  |            |            |        |
|--|------------|------------|--------|
| Income available to common stockholders<br>and assumed conversions | \$ 388,919 | 20,183,876 | \$ .02 |
|--|------------|------------|--------|

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| Six Months Ended June 30, 2011                                     |             |               |                     |
|--|-------------|---------------|---------------------|
|  | Income      | Shares        | Per-Share<br>Amount |
|  | (Numerator) | (Denominator) | -----               |
| Net income   | \$ 756,933  | 19,446,113    | \$ .04              |
| Less preferred stock dividends                                     | (49,364)    |               |                     |
|  | -----       |               |                     |
| <b>Earnings per share - basic</b>                                  |             |               |                     |
| Income available to common stockholders                            | 707,569     |               | .04                 |
| <b>Effect of dilutive securities</b>                               |             |               |                     |
| Options  |             | 347,893       |                     |
| Convertible preferred stock  | 49,364      | 366,666       |                     |
|  | -----       | -----         |                     |
| <b>Diluted earnings per share</b>                                  |             |               |                     |
| Income available to common stockholders<br>and assumed conversions | \$ 756,933  | 20,160,672    | \$ .04              |

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<br>Amount |
|  | (Numerator) | (Denominator) | -----               |
| Net income   | \$ 374,673  | 19,412,499    | \$ .02              |
| Less preferred stock dividends                                     | (24,411)    |               |                     |
|  | -----       |               |                     |
| <b>Earnings per share - basic</b>                                  |             |               |                     |
| Income available to common stockholders                            | 350,262     |               | .02                 |
| <b>Effect of dilutive securities</b>                               |             |               |                     |
| Options  |             | 286,133       |                     |
| Convertible preferred stock  | 24,411      | 366,666       |                     |
|  | -----       | -----         |                     |
| <b>Diluted earnings per share</b>                                  |             |               |                     |
| Income available to common stockholders<br>and assumed conversions | \$ 374,673  | 20,065,298    | \$ .02              |



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

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Note 6 - 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 Court issued an Order dated December 23, 2010 granting summary judgment in favor of the Company against all of the Plaintiffs on their fraud claims. As a result, the Plaintiffs' allegations of fraud against the Company and certain of its officers were determined to be without merit. The Company's counterclaims against the Plaintiffs for breach of contract and other related claims remain pending.

The Complaint was originally filed against the Company and certain of its officers and certain institutional lenders. The Plaintiffs are former franchisees of the Company's traditional location venue. Initially there were approximately 14 groups of franchisee-Plaintiffs. Since the inception of the lawsuit, the Court has dismissed the claims against the institutional lenders. In addition, one group of franchisee-Plaintiffs voluntarily dismissed its claims against the Company and the Court held another group of franchisee-Plaintiffs in contempt and dismissed its claims with prejudice.

The Plaintiffs allege that the Defendants fraudulently induced them to purchase franchises for traditional locations through misrepresentations and omissions of material facts regarding the franchises. As relief, the Plaintiffs sought compensatory and punitive damages in addition to court costs and/or prejudgment interest. The Plaintiffs that remained in the case, following the voluntary and involuntary dismissals described above, claimed actual damages in the amount of \$5.1 million, which has been discharged as a result of the summary judgment Order in favor of the Company issued December 23, 2010.

The Company filed counterclaims for damages for breach of contract against all of the Plaintiffs in the aggregate approximate amount of \$3.6 million plus attorney's fees, cost of collection and punitive damages in certain instances. The Company intends to prosecute the counterclaims and obtain and execute on any judgments against all counterclaim Defendants.

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In addition to the above actual fraud claims, one group of franchisee-Plaintiffs asserted a separate claim under the Indiana Franchise Act. The Court's December 23, 2010 Order denied the Company's motion for summary judgment as to the Indiana Franchise Act claim finding the existence of a genuine issue of material fact and did not render any opinion on the merits of that claim. The Company denies liability on this claim and will continue to vigorously prosecute its defenses against this claim.

The Plaintiffs filed a motion with the Court asking it to correct errors and to reconsider the Order for summary judgment. The Company opposed that motion and a hearing on the motion was held on March 24, 2011. In accordance with trial rule 53.3, if the Judge does not rule on the motion to reconsider within 30 days, the motion is deemed denied. Therefore the motion was deemed denied on April 25, 2011. In accordance with the same trial rule, the 30 days within which a notice of appeal can be filed starts running the day it was deemed denied. Therefore, the deadline passed on May 25, 2011 for a notice of appeal to be filed and none was filed.

On June 28, 2011 Plaintiffs filed a motion with the Court asking the Judge to reconsider his Order of December 23, 2010 making it an "Interlocutory" order instead of a "Final" order. The Company filed its response opposing that motion. The Judge set a hearing on that motion for September 26, 2011. However, on June 8, 2011 Plaintiffs filed an appeal with the Indiana Court of Appeals. On July 6, 2011 the Clerk of the trial court issued a notice of completion of the Clerk's record. On July 11, 2011 the Company filed a motion with the trial court to vacate the Order setting the hearing for September 26, 2011 on Plaintiff's

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motion to reconsider the Order of December 23, 2010 on the grounds that the trial court no longer had jurisdiction over this issue since it completed the Clerk's record to the Indiana Court of Appeals. On July 14, 2011 the Company filed a motion with the Indiana Court of Appeals to dismiss the appeal on the grounds that the appeal was filed after the deadline of May 25, 2011 for filing of an appeal. On July 25, 2011 the Court granted the Company's motion to vacate the order setting the hearing for September 26, 2011. On July 29, 2011, Plaintiffs filed a motion with the Indiana Court of Appeals to voluntarily dismiss the appeal. Also, on July 29, 2011, Plaintiffs filed a motion with the trial court to reset the hearing on the motion to reconsider the Order of December 23, 2010. The Company intends to oppose the motion for voluntary withdrawal of appeal in the Indiana Court of Appeals asking the Court to rule on the Company's motion to dismiss the appeal with prejudice. If the Indiana Court of Appeal grants the Company's motion to dismiss the appeal with prejudice the motion to reset the hearing to reconsider the Order of December 23, 2010 will become moot.

On June 10, 2011 the Court granted permission for the Company to file summary judgment motions on the Company's counterclaims against the Plaintiffs as opposed to jury trial. The Company will be filing summary judgment motions. The judge has set a hearing on the summary judgment motions for December 6, 2011.

Note 7: 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 beyond what is disclosed in this report.

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

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### Introduction

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The Company sells and services franchises and licenses for non-traditional and stand-alone foodservice operations under the trade names "Noble Roman's Pizza", "Tuscano's Italian Style Subs", "Noble Roman's Bistro", "Noble Roman's Take-N-Bake" and "Tuscano's Grab-N-Go Subs". 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 departure from many pizza concepts.
- o Vegetable and mushroom toppings that are sliced and delivered fresh, never canned.

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- o An extended product line that includes breadsticks with dip, pasta, baked sandwiches, salads, wings and a line of breakfast products.
- o A fully-prepared pizza crust that captures the made-from-scratch pizzeria flavor which gets delivered to the franchise location shelf-stable so that dough handling is no longer an impediment to a consistent product.

The Company carefully developed nearly all of its menu items to be delivered in a ready-to-use form requiring only on-site assembly and baking. The ingredients for these menu items are manufactured by third-party vendors and distributed by unrelated distributors who deliver throughout much 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 that require relatively low amounts of labor.

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

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In September 2009, the Company introduced a take-n-bake version of its pizza as an addition to its menu offerings. The Company uses the same high-quality pizza ingredients for its take-n-bake product as with its standard pizza, with slight modifications to portioning for increased home baking performance. 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 stores. Since adding this component in September 2009, the Company has signed agreements for 778 grocery store locations to operate the take-n-bake pizza program. The Company is also in discussions with several other grocery store owners. The Company expects the number of grocery store locations operating the take-n-bake program to increase substantially over the remainder of the year. The take-n-bake program has also been integrated into the operations of several

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existing convenience store franchises, generating add-on sales, and is now being offered to all convenience store franchisees. The take-n-bake program in grocery stores is being offered as a supply agreement rather than a franchise agreement.

To supplement the take-n-bake pizza offering, at the beginning of 2011, the Company introduced five carton-to-shelf retail items that require no assembly at the grocery store and as a complement to the take-n-bake program. These five items are Noble Roman's Pasta Sauce, Noble Roman's Flavor-Aged Parmesan Cheese, Noble Roman's Deep-Dish Lasagna with Italian Sausage, Noble Roman's Spicy Cheese Sauce and Noble Roman's Cheesy Stix. In addition to being a complement to the take-n-bake program, these five products are being offered to all grocery stores and require no agreement, unlike the take-n-bake program which requires a supply agreement to help control quality and to protect the Company's proprietary products, because the pizzas are assembled in the grocery store deli departments.

### 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

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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 also has a grab-n-go service system for a selected portion of the Tuscano's menu. The grab-n-go system is designed to add sales opportunities at existing non-traditional Noble Roman's Pizza and/or Tuscano's Subs locations. The grab-n-go system has been integrated into the operations of several existing locations to generate add-on sales.

The Company offers 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 or license. 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 Grab-N-Go Subs franchises at a much reduced investment cost compared to the previous offering.

### Business Strategy -----

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

Sales of Non-Traditional Franchises and Licenses. The Company believes that it has an opportunity for increasing unit growth and revenue within its

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non-traditional venues such as hospitals, military bases, universities, convenience stores, grocery 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 or licenses are most often sold into pre-existing facilities as a service and/or revenue enhancer for the underlying business. Although the Company's current focus is on non-traditional franchise or license expansion, the Company will still seek to capitalize on other franchising opportunities as they present themselves.

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

Licensing the Company's Take-N-Bake Program. In September 2009, the Company introduced a take-n-bake pizza as an addition to its menu offering. The take-n-bake pizza is designed as an add-on component for new and existing convenience store franchisees or licensees and as a stand-alone offering for grocery stores. Since September 2009 when the Company started offering take-n-bake pizza to grocery store chains through August 5, 2011, the Company has signed agreements with 778 grocery store locations to operate the take-n-bake pizza program and has opened take-n-bake pizza in 586 locations. The Company is currently in discussions with numerous additional grocery store owners. Following the hot, picnic season of middle summer when deli departments are otherwise occupied, the rate of openings are expected to accelerate in August and into fall and winter, which are prime seasons for pizza sales.

At the start of 2011, to supplement the take-n-bake pizza offering and expand merchandising space, the Company introduced five carton-to-shelf retail items that require no assembly at the grocery store and help expand the merchandising

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visibility of the Noble Roman's brand. These five items are Noble Roman's Pasta Sauce, Noble Roman's Flavor-Aged Parmesan Cheese, Noble Roman's Deep-Dish Lasagna with Italian Sausage, Noble Roman's Spicy Cheese Sauce and Noble Roman's Cheesy Stix. Beginning in August 2011, the Company introduced six new "Signature Specialty Take-N-Bake Pizza" combinations to its current standard offerings. These pizzas feature unique, fun combination of ingredients with proven customer appeal in other Company venues, and include Hawaiian pizza, Four Cheese pizza, BBQ Pork pizza, BBQ Chicken pizza, Hoppin' Jalapeno pizza and Parmesan Tomato pizza. The Company's strategy with these new combinations is to secure more shelf space in existing locations and appeal to the program to attract new locations and to generally increase sales of the Company's products. Interest in the Company's new pizza combinations has been very high in recent trade shows where they have been presented.

In an attempt to accelerate the growth of take-n-bake pizza in grocery stores, the Company has been focusing on signing agreements with various grocery store distributors to market the take-n-bake pizza program to the distributor's current customer base. On July 19, 2010, the Company signed an agreement with a grocery store distributor headquartered in California and the Company now has 196 take-n-bake agreements with their customers. On October 13, 2010, the Company signed an agreement with a grocery store distributor in Wisconsin, however, they did not stock their warehouse until February 1, 2011. The Company now has 25 take-n-bake agreements with their customers. On January 13, 2011, the

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Company signed an agreement with a grocery store distributor headquartered in Connecticut. The Company now has 63 take-n-bake agreements with their customers. On March 28, 2011, the Company signed an agreement with a grocery store distributor in Oklahoma. The Company now has 82 take-n-bake agreements with their customers. On March 30, 2011, the Company signed an agreement with a grocery store distributor in Utah. The Company now has 68 take-n-bake agreements with their customers. On April 12, 2011, the Company signed an agreement with a grocery store distributor in Pennsylvania. The Company now has 25 take-n-bake agreements with their customers. On May 20, 2011, the Company signed an agreement with a grocery store distributor in New Hampshire. The Company now has two take-n-bake agreements with their customers. On August 2, 2011, the Company signed an agreement with a grocery store distributor in Indiana. The Company now has 10 take-n-bake agreements with their customers. The Company is currently in discussion with a number of other grocery store distributors.

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. The menu items were developed to be delivered in a ready-to-use form requiring only on-site assembly and baking except for take-n-bake pizza which is sold to bake at home, and the new carton-to-shelf retail items which require no assembly. The Company believes this process results in products that are great tasting, quality consistent, easy to assemble, and relatively low in food cost and 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

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developments, competition, changes in demand for the Company's products or changes in the business climate that affect the recovery of recorded value. If any impairment of an individual asset is evident, a charge will be provided to reduce the carrying value to its estimated fair value.

The following table sets forth the percentage relationship to total revenue of the listed items included in Noble Roman's consolidated statements of operations for the three-month periods ended June 30, 2010 and 2011, respectively.

|                               | Three Months Ended<br>June 30,<br>----- |        | Six Months Ended<br>June 30,<br>----- |        |
|-------------------------------|---|--------|---------------------------------------|--------|
|                               | 2010                                    | 2011   | 2010                                  | 2011   |
|                               | -----                                   | -----  | -----                                 | -----  |
| Royalties and fees            | 91.6 %                                  | 92.1 % | 92.4 %                                | 92.1 % |
| Administrative fees and other | .8                                      | .6     | .6                                    | .6     |
| Restaurant revenue            | 7.6                                     | 7.3    | 7.0                                   | 7.3    |

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|                               |        |        |        |        |
|-------------------------------|--------|--------|--------|--------|
| Total revenue                 | 100.0  | 100.0  | 100.0  | 100.0  |
| Operating expenses:           |        |        |        |        |
| Salaries and wages            | 13.4   | 13.2   | 13.5   | 13.5   |
| Trade show expense            | 4.1    | 5.0    | 4.2    | 5.0    |
| Travel expense                | 2.0    | 2.8    | 2.0    | 2.0    |
| Other operating expense       | 9.7    | 9.4    | 10.2   | 9.7    |
| Restaurant expenses           | 7.4    | 6.9    | 6.9    | 6.9    |
| Depreciation and amortization | .8     | 1.8    | .9     | 1.8    |
| General and administrative    | 22.6   | 21.5   | 22.6   | 22.6   |
| Total expenses                | 60.0   | 60.6   | 60.3   | 60.3   |
| Operating income              | 40.0   | 39.4   | 39.7   | 39.7   |
| Interest and other expense    | 6.2    | 5.2    | 6.2    | 5.2    |
| Income before income taxes    | 33.8   | 34.2   | 33.5   | 34.2   |
| Income tax expense            | 13.3   | 13.5   | 13.3   | 13.3   |
| Net income                    | 20.5 % | 20.7 % | 20.2 % | 20.2 % |

Results of Operations

Total revenue increased from \$1,832,314 to \$1,880,490 and from \$3,587,446 to \$3,682,506 for the three-month and six-month periods ended June 30, 2011 compared to the corresponding periods in 2010. One-time fees, franchisee fees and equipment commissions increased from \$83,408 to \$83,339 and decreased from \$207,092 to \$145,963 during the three-month and six-month periods ended June 30, 2011 compared to the corresponding periods in 2010. Ongoing royalties and fees increased from \$1,595,367 to \$1,648,463 and from \$3,107,339 to \$3,260,626 for the three-month and six-month periods ended June 30, 2011 compared to the corresponding periods in 2010. Of these increases, \$196,354 and \$434,575 resulted from increases in ongoing royalties and fees from grocery store take-n-bake additions and \$50,549 and \$105,777 from increases in ongoing royalties and fees from non-traditional franchises other than grocery stores for the three-month and six-month periods ended June 30, 2011 compared to the corresponding periods in 2010. These increases were partially offset by decreases in ongoing royalties and fees from traditional locations of \$193,807 and \$387,066 for the three-month and six-month periods ended June 2011 compared to the corresponding periods in 2010.

Restaurant revenue decreased from \$139,081 to \$137,670 and increased from \$252,307 to \$256,522 for the three-month and six-month periods ended June 30, 2011 compared to the corresponding periods in 2010. The decrease in the second quarter and increase in the six-month period were a result of a same store sales

decrease during the second quarter and an increase during the six-month period. The Company only operates two locations primarily for testing and demonstration purposes.

Salaries and wages decreased, as a percentage of total revenue, from 13.4% from 13.2% from 13.5% and 13.2% for the three-month and six-month periods ended June 30, 2011 compared to the corresponding periods in 2010. The decreases were the result of the Company's strategy to grow by concentrating its efforts on franchising and licensing non-traditional locations plus the increase in total

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revenue.

Trade show expenses increased from 4.1% to 5.0% of total revenue and from 4.2% to 5.0% of total revenue for the three-month and six-month periods ended June 30, 2011, respectively, compared to the corresponding periods in 2010. These increases were the result of scheduling more trade shows for grocery stores. Trade show expenses were \$93,247 and \$183,247 in the three-month and six-month periods ended June 30, 2011 compared to \$75,703 and \$150,841 in the corresponding periods in 2010.

Travel expenses increased from 2.0% to 2.8% of total revenue and from 2.0% to 2.7% of total revenue for the three-month and six-month periods ended June 30, 2011, respectively, compared to the corresponding periods in 2010. Actual travel expense increased from \$36,764 and \$73,003 to \$52,589 and \$99,474 for the three-month and six-month periods ended June 30, 2011 compared to the corresponding periods in 2010. These increases were the result of opening 211 take-n-bake locations in grocery stores throughout the country during the first six months of 2011 compared to opening 120 locations in the corresponding period of 2010.

Other operating expenses decreased, as a percentage of total revenue, from 9.7% to 9.4% and from 10.2% to 9.6% for the three-month and six-month periods ended June 30, 2011, respectively, compared to the corresponding periods in 2010. Actual operating expenses remained approximately the same for the second quarter of 2011 compared to the corresponding quarter in 2010 and decreased from \$366,558 to \$355,230 for the six-month period ended June 30, 2011.

Restaurant expenses decreased as a percentage of total revenue from 7.4% to 6.9% and from 6.9% to 6.7% for the three-month and six-month periods ended June 30, 2011, respectively, compared to the corresponding periods in 2010. The decreases in percentage were a result of the increase in total revenue. The Company only operates two restaurants which it uses for demonstration, training and testing purposes.

General and administrative expenses decreased as a percentage of total revenue from 22.6% to 21.5% and from 22.6% to 22.0% for the three-month and six-month periods ended June 30, 2011, respectively, compared to the corresponding periods in 2010. Actual general and administrative expense decreased from \$414,973 to \$403,430 and increased from \$809,776 to \$811,818 for the three-month and six-month periods ended June 30, 2011, respectively, compared to the corresponding periods in 2010.

Total expenses increased as a percentage of total revenue from 60.0% to 60.6% and from 60.3% to 60.6% for the three-month and six-month periods period ended June 30, 2011, respectively, compared to the corresponding periods in 2010. Actual expenses increased from \$1,097,751 to \$1,139,267 and from \$2,161,157 to \$2,233,236 for the three-month and six-month periods ended June 30, 2011, respectively, compared to the corresponding periods in 2010. These increases were primarily the result of the increase in trade show expense and travel expenses due to more openings. The Company opened a total of 211 locations in the six-month period of 2011 compared to a total of 120 locations in the corresponding period in 2010.

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Operating income decreased as a percentage of total revenue from 40.0% to 39.4% and from 39.7% to 39.4% for the three-month and six-month periods ended June 30, 2011, respectively, compared to the corresponding periods in 2010. Actual operating income increased from \$734,563 to \$741,223 and from \$1,426,289 to \$1,449,270 for the three-month and six-month periods ending June 30, 2011, respectively, compared to the corresponding periods in 2010.



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Interest expense decreased as a percentage of total revenue from 6.2% to 5.2% and from 6.2% to 5.4% for the three-month and six-month periods ended June 30, 2011, respectively, compared to the corresponding periods in 2010. These decreases were primarily the result of a decrease in notes payable outstanding and in increase in total revenue.

Net income increased from \$374,673 to \$388,919 and from \$726,339 to \$756,933 for the three-month and six-month periods ended June 30, 2011 compared to the corresponding periods in 2010.

### Liquidity and Capital Resources

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The Company's current strategy is to grow its business by concentrating on franchising non-traditional locations, licensing grocery stores to sell take-n-bake pizza and to sell retail products through grocery stores. The Company has chosen that strategy as a means to accelerate non-traditional unit growth by increasing revenue without any significant increase in expenses. 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 1.7-to-1 on June 30, 2011 compared to 1.4-to-1 on December 31, 2010.

At various times, Paul W. Mobley, the Company's Chairman of the Board and Chief Executive Officer, made advances to the Company to help fund principal payments due under its bank loan and payments related to discontinued operations. The payments related to the discontinued operations were largely for legal fees related to the Heyser lawsuit, which is described in Note 6 to the accompanying unaudited condensed consolidated financial statements in this report and in Note 10 of the Company's consolidated financial statements included in its Form 10-K for the year ended December 31, 2010. The Company issued an amended note in July 2011 in the principal amount of \$1,055,821 to reflect the advances. The note provides for interest at the rate of 8% per annum to be paid monthly on the unpaid principal balance of the note and continuing on the first day of each calendar month thereafter until the note is paid in full. The Company is current on the required interest payments. In addition, the note requires principal payments commencing on November 1, 2012 and on the first day of each calendar month thereafter up to and including March 1, 2013 in the amount of \$200,000 per month with a final payment of any remaining principal balance to be paid on April 1, 2013.

On July 19, 2011, the Company entered into a Fourth Amendment to Loan Agreement (the "Amendment") with Wells Fargo Bank, National Association ("Wells Fargo") that amended the existing Loan Agreement dated August 25, 2005, between the Company and Wells Fargo, as previously amended by a certain First Amendment to Loan Agreement dated February 4, 2008, a certain Second Amendment to Loan Agreement dated November 10, 2010, and a certain Third Amendment to Loan Agreement dated March 10, 2011 (as so amended, the "Loan Agreement").

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The Amendment reduces monthly principal payments and shortens the maturity date for borrowings under the Loan from August 13, 2013 to October 1, 2012. The Amendment maintains the current interest rate applicable to amounts borrowed under the Loan Agreement of LIBOR plus 4.25% per annum, but increases the interest rate applicable to amounts borrowed under the Loan Agreement after June

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1, 2012 to LIBOR plus 7.25% per annum.

Below are the monthly required principal amortization amounts under the Loan Agreement:

| Date              | Amount      |
|-------------------|-------------|
| ----              | -----       |
| August 1, 2011    | \$100,000   |
| September 1, 2011 | \$100,000   |
| October 1, 2011   | \$125,000   |
| November 1, 2011  | \$125,000   |
| December 1, 2011  | \$125,000   |
| January 1, 2012   | \$125,000   |
| February 1, 2012  | \$200,000   |
| March 1, 2012     | \$200,000   |
| April 1, 2012     | \$200,000   |
| May 1, 2012       | \$200,000   |
| June 1, 2012      | \$200,000   |
| July 1, 2012      | \$200,000   |
| August 1, 2012    | \$200,000   |
| September 1, 2012 | \$200,000   |
| October 1, 2012   | \$1,675,000 |

As a result of the financial arrangements described above and the Company's cash flow projections, the Company believes it will have sufficient cash flow to meet its obligations and to carry out its current business plan for the foreseeable future. The Company's cash flow projections are based on the Company's strategy of focusing entirely on growth in non-traditional venues, the growth in the number of grocery store locations licensed to sell the take-n-bake pizza and the recent introduction of the additional retail products for grocery stores including pasta sauce, deep-dish lasagna with Italian sausage, grated parmesan cheese, cheesy stix and spicy cheese dip.

In February 2008, the Company elected to trade its previous swap contract for a new swap contract fixing the rate on 50% of the principal balance under the Company's loan agreement, as amended (approximately \$1,562,500 as of August 5, 2011), at an annual interest rate of 8.2%.

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 market acceptance of

recently introduced products, competitive factors and pricing pressures, the current litigation with certain former traditional franchisees, non-renewal of franchise agreements, shifts in market demand, compliance with the terms of the

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Company's bank credit agreement, 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 and changes in prices or supplies of food ingredients and labor as well as the factors discussed under "Risk Factors" as contained in this annual report. In addition, the Company has no previous experience selling its products to retail channels and there can be no assurance that grocers will stock them or that customers will buy them. Should one or more of these risks or uncertainties materialize, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

### ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to interest rate risk relates primarily to its variable-rate debt. As of June 30, 2011, the Company had outstanding variable rate interest-bearing debt in the aggregate principal amount of \$4.2 million. The Company's current borrowings are at a variable rate tied to the London Interbank Offered Rate ("LIBOR") plus 4.25% per annum through May 2012 and plus 7.25% per annum beginning June 1, 2012 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% per annum. Based upon the principal balance outstanding as of August 5, 2011 of \$3.875 million for each 1.0% increase in LIBOR, the Company would incur increased interest expense of approximately \$18,800 over the succeeding twelve-month period.

### ITEM 4. Controls and Procedures

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

## PART II - OTHER INFORMATION

### ITEM 1. Legal Proceedings.

The Company is a Defendant in a lawsuit styled Kari Heyser, Fred Eric Heyser and Meck Enterprises, LLC, et al v. Noble Roman's, Inc. et al, filed in Superior Court in Hamilton County, Indiana on June 19, 2008 (Cause No. 29D01 0806 PL 739). The Court issued an Order dated December 23, 2010 granting summary judgment in favor of the Company against all of the Plaintiffs on their fraud claims. As a result, the Plaintiffs' allegations of fraud against the Company and certain of its officers were determined to be without merit. The Company's counterclaims against the Plaintiffs for breach of contract and other related claims remain pending.

The Complaint was originally filed against the Company and certain of its officers and certain institutional lenders. The Plaintiffs are former franchisees of the Company's traditional location venue. Initially there were

approximately 14 groups of franchisee-Plaintiffs. Since the inception of the lawsuit, the Court has dismissed the claims against the institutional lenders.

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In addition, one group of franchisee-Plaintiffs voluntarily dismissed its claims against the Company and the Court held another group of franchisee-Plaintiffs in contempt and dismissed its claims with prejudice.

The Plaintiffs allege that the Defendants fraudulently induced them to purchase franchises for traditional locations through misrepresentations and omissions of material facts regarding the franchises. As relief, the Plaintiffs sought compensatory and punitive damages in addition to court costs and/or prejudgment interest. The Plaintiffs that remained in the case, following the voluntary and involuntary dismissals described above, claimed actual damages in the amount of \$5.1 million, which has been discharged as a result of the summary judgment Order in favor of the Company issued December 23, 2010.

The Company filed counterclaims for damages for breach of contract against all of the Plaintiffs in the aggregate approximate amount of \$3.6 million plus attorney's fees, cost of collection and punitive damages in certain instances. The Company intends to prosecute the counterclaims and obtain and execute on any judgments against all counterclaim Defendants.

In addition to the above actual fraud claims, one group of franchisee-Plaintiffs asserted a separate claim under the Indiana Franchise Act. The Court's December 23, 2010 Order denied the Company's motion for summary judgment as to the Indiana Franchise Act claim finding the existence of a genuine issue of material fact and did not render any opinion on the merits of that claim. The Company denies liability on this claim and will continue to vigorously prosecute its defenses against this claim.

The Plaintiffs filed a motion with the Court asking it to correct errors and to reconsider the Order for summary judgment. The Company opposed that motion and a hearing on the motion was held on March 24, 2011. In accordance with trial rule 53.3, if the Judge does not rule on the motion to reconsider within 30 days, the motion is deemed denied. Therefore the motion was deemed denied on April 25, 2011. In accordance with the same trial rule, the 30 days within which a notice of appeal can be filed starts running the day it was deemed denied. Therefore, the deadline passed on May 25, 2011 for a notice of appeal to be filed and none was filed.

On June 28, 2011 Plaintiffs filed a motion with the Court asking the Judge to reconsider his Order of December 23, 2010 making it an "Interlocutory" order instead of a "Final" order. The Company filed its response opposing that motion. The Judge set a hearing on that motion for September 26, 2011. However, on June 8, 2011 Plaintiffs filed an appeal with the Indiana Court of Appeals. On July 6, 2011 the Clerk of the trial court issued a notice of completion of the Clerk's record. On July 11, 2011 the Company filed a motion with the trial court to vacate the Order setting the hearing for September 26, 2011 on Plaintiff's motion to reconsider the Order of December 23, 2010 on the grounds that the trial court no longer had jurisdiction over this issue since it completed the Clerk's record to the Indiana Court of Appeals. On July 14, 2011 the Company filed a motion with the Indiana Court of Appeals to dismiss the appeal on the grounds that the appeal was filed after the deadline of May 25, 2011 for filing of an appeal. On July 25, 2011 the Court granted the Company's motion to vacate the order setting the hearing for September 26, 2011. On July 29, 2011, Plaintiffs filed a motion with the Indiana Court of Appeals to voluntarily dismiss the appeal. Also, on July 29, 2011, Plaintiffs filed a motion with the trial court to reset the hearing on the motion to reconsider the Order of December 23, 2010. The Company intends to oppose the motion for voluntarily withdrawal of appeal in the Indiana Court of Appeals asking the Court to rule on the Company's motion to dismiss the appeal with prejudice. If the Indiana Court of Appeal grants the Company's motion to dismiss the appeal with prejudice the motion to reset the hearing to reconsider the Order of December 23, 2010 will

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become moot.

On June 10, 2011 the Court granted permission for the Company to file summary judgment motions on the Company's counterclaims against the Plaintiffs as opposed to jury trial. The Company will be filing summary judgment motions. The judge has set a hearing on the summary judgment motions for December 6, 2011.

ITEM 6. Exhibits.

(a) Exhibits: See Exhibit Index appearing on page 23.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NOBLE ROMAN'S, INC.

Date: August 10, 2011

By: /s/ Paul W. Mobley

-----  
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 January 2, 1999 filed as Exhibit 10.1 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.
- 10.2 Employment Agreement with A. Scott Mobley dated January 2, 1999 filed as Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.
- 10.3 1984 Stock Option Plan filed with the Registrant's Form S-8 filed November 29, 1994 (SEC File No. 33-86804), is incorporated herein by reference.
- 10.4 Noble Roman's, Inc. Form of Stock Option Agreement filed

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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.
- 10.7 Second Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated November 10, 2010, filed as Exhibit 10.7 to the Registrant's current report on Form 10-Q filed on November 10, 2010, is incorporated herein by reference.
- 10.8 Third Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated March 10, 2011, filed as Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010, is incorporated herein by reference.
- 10.9 Promissory Note payable to Paul Mobley dated November 1, 2010, filed as Exhibit 10.8 to the Registrant's current report on Form 10-Q filed on November 10, 2010, is incorporated herein by reference.
- 10.10 Fourth Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated July 19, 2011, is filed herewith.
- 21.1 Subsidiaries of the Registrant filed in the Registrant's Registration Statement on Form SB-2 (SEC File No. 33-66850) ordered effective on October 26, 1993, is incorporated herein by reference.
- 31.1 C.E.O. and C.F.O. Certification under Rule 13a-14(a)/15d-15(e).
- 32.1 C.E.O. and C.F.O. Certification under Section 1350.
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