

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

NOBLE ROMANS INC
Form 10-Q
November 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 September 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 November 7, 2011, there were 19,469,317 shares of Common Stock, no par value, outstanding.

PART I - FINANCIAL INFORMATION

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

ITEM 1. Financial Statements

The following unaudited condensed consolidated financial statements are included herein:

Condensed consolidated balance sheets as of December 31, 2010 and September 30, 2011 (unaudited)	Page 3
Condensed consolidated statements of operations for the three and nine months ended September 30, 2010 and 2011 (unaudited)	Page 4
Condensed consolidated statements of changes in stockholders' equity for the nine months ended September 30, 2011 (unaudited)	Page 5
Condensed consolidated statements of cash flows for the nine months ended September 30, 2010 and 2011 (unaudited)	Page 6
Notes to condensed consolidated financial statements (unaudited)	Page 7

2

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

Assets	December 31, 2010

Current assets:	
Cash	\$ 337,044
Accounts and notes receivable - net	920,304
Inventories	316,913
Assets held for resale	246,278
Prepaid expenses	235,778
Deferred tax asset - current portion	1,400,000

Total current assets	3,456,317

Property and equipment:	
Equipment	1,139,050
Leasehold improvements	12,283

	1,151,333
Less accumulated depreciation and amortization	784,282

Net property and equipment	367,051
Deferred tax asset (net of current portion)	10,150,558
Other assets including long-term receivables - net	2,920,853

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

Total assets		\$ 16,894,779 =====
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term note payable to bank		\$ 1,875,000
Accounts payable and accrued expenses		654,319 -----
Total current liabilities		2,529,319 -----
Long-term obligations:		
Note payable to bank (net of current portion)		2,625,000
Note payable to officer		855,821 -----
Total long-term liabilities		3,480,821 -----
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 September 30, 2011)		23,116,317
Preferred stock (5,000,000 shares authorized and 20,625 issued and outstanding as of December 31, 2010 and September 30, 2011)		800,250
Accumulated deficit		(13,031,928) -----
Total stockholders' equity		10,884,639 -----
Total liabilities and stockholders' equity		\$ 16,894,779 =====

See accompanying notes to condensed consolidated financial statements.

3

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

	Three Months Ended September 30,		Nine M Sep
	2010	2011	2010
Royalties and fees	\$ 1,712,075	\$ 1,623,943	\$ 5,026,500
Administrative fees and other	5,485	3,107	26,190
Restaurant revenue	135,337	138,601	387,640
Total revenue	1,852,897	1,765,651	5,440,340
Operating expenses:			
Salaries and wages	244,396	251,790	729,910
Trade show expense	75,463	77,112	226,300
Travel expense	36,362	50,919	109,360
Other operating expenses	167,994	165,286	534,550
Restaurant expenses	131,472	137,508	378,710
Depreciation and amortization	14,574	36,311	42,790
General and administrative	394,227	405,281	1,204,000

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

Total expenses	1,064,488	1,124,207	3,225,64
Operating income	788,409	641,444	2,214,70
Interest and other expense	114,937	98,965	338,47
Income before income taxes from continuing operations	673,472	542,479	1,876,22
Income tax expense	266,762	214,876	743,17
Net income from continuing operations	406,710	327,603	1,133,05
Loss from discontinued operations net of tax benefit of \$604,415 in 2010 and \$207,280 in 2011	(935,237)	(316,022)	(935,23
Net income (loss)	(528,527)	11,581	197,81
Cumulative preferred dividends	24,682	24,682	65,72
Net income (loss) available to common stockholders	\$ (553,209)	\$ (13,101)	\$ 132,08
Earnings per share - basic:			
Net income from continuing operations	\$.02	\$.02	\$.0
Net loss from discontinued operations	(.05)	(.02)	(.0
Net income (loss)	(.03)	.00	.0
Net income (loss) available to common stockholders	\$ (.03)	\$.00	\$.0
Weighted average number of common shares outstanding	19,413,092	19,469,317	19,412,69
Diluted earnings per share:			
Net income from continuing operations	\$.02	\$.02	\$.0
Net loss from discontinued operations	(.05)	(.02)	(.0
Net income (loss)	(.03)	.00	.0
Net income (loss) available to common stockholders	\$ (.03)	\$.00	\$.0
Weighted average number of common shares outstanding	20,112,463	20,159,153	20,112,07

See accompanying notes to condensed consolidated financial statements.

4

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

	Preferred Stock	Common Stock Shares	Common Stock Amount	Accumulat Deficit
	-----	-----	-----	-----
Balance at December 31, 2010	\$ 800,250	19,419,317	\$ 23,116,317	\$(13,031,
Net income for nine months ended September 30, 2011				768,
Cumulative preferred dividends				(74,

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

Exercise of employee stock options		50,000		18,000	
Amortization of value of stock options				79,962	
	-----	-----	-----	-----	-----
Balance at September 30, 2011	\$	800,250	19,469,317	\$ 23,214,279	\$(12,337,000)
	=====	=====	=====	=====	=====

See accompanying notes to condensed consolidated financial statements.

5

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

	Nine Months Ended September 30,	
	2010	2011
	-----	-----
OPERATING ACTIVITIES		
Net income	\$ 197,813	\$ 768,500
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	109,596	160,400
Deferred income taxes	138,757	504,000
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and notes receivable	460,969	(235,700)
Inventories	(14,271)	(26,300)
Prepaid expenses	(250,766)	(87,300)
Other assets	(439,402)	(635,800)
Decrease in:		
Accounts payable and accrued expenses	730,205	478,200
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	932,901	925,900
	-----	-----
INVESTING ACTIVITIES		
Purchase of property and equipment	(4,585)	(8,600)
Investment in assets held for sale	--	(3,300)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(4,585)	(12,000)
	-----	-----
FINANCING ACTIVITIES		
Payment of obligations from discontinued operations	(568,052)	(453,000)
Payment of cumulative preferred dividends	(65,729)	(74,000)
Payment of principal on outstanding debt	(1,125,000)	(725,000)
Proceeds from exercise of stock options	--	18,000
Payment received on long-term notes receivable	--	31,600
Proceeds from officer loan	735,500	200,000
	-----	-----
NET CASH USED IN FINANCING ACTIVITIES	(1,023,281)	(1,002,400)
	-----	-----

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

Decrease in cash	(94,965)	(88,5
Cash at beginning of period	333,204	337,0
	-----	-----
Cash at end of period	\$ 238,239	\$ 248,5
	=====	=====

Supplemental schedule of non-cash investing and financing activities

None

Cash paid for interest	\$ 239,121	\$ 257,5
------------------------	------------	----------

See accompanying notes to condensed consolidated financial statements.

6

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 - The accompanying unaudited interim condensed consolidated financial statements, included herein, have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated statements have been prepared in accordance with the Company's accounting policies described in the Annual Report on Form 10-K for the year ended December 31, 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 nine-month period ended September 30, 2011 are not necessarily indicative of the results to be expected for the full year ending December 31, 2011.

Note 2 - On October 28, 2011, the Company entered into a Fifth 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 (as so amended, the "Loan Agreement"). The Amendment reduced monthly principal payments and shortened the maturity date for borrowings under the Loan from August 13, 2013 to October 1, 2012 at which date the scheduled principal balance payable will be \$1,800,000. The Amendment maintains the current interest rate LIBOR plus 4.25% per annum applicable to amounts borrowed under the Loan Agreement, but increases to LIBOR plus 7.25% per annum the interest rate applicable to amounts borrowed under the Loan Agreement beginning July 1, 2012.

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 and in Note 10 of the Company's consolidated financial statements included in its Form 10-K

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

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 has paid all the required interest payments to date. 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.

Note 4 - Royalties and fees include \$28,333 and \$155,818 for the three-month and nine-month periods ended September 30, 2011, respectively, and \$44,000 and \$163,500 for the three-month and nine-month periods ended September 30, 2010, respectively, of initial franchise fees. Royalties and fees included \$11,194 and \$29,673 for the three-month and nine-month periods ended September 30, 2011 and \$16,378 and \$103,970 for the three-month and nine-month periods ended September 30, 2010, respectively, of equipment commissions.

7

Royalties and fees, less initial franchise fees and equipment commissions (collectively "upfront fees") were \$1,584,416 and \$4,845,042 for the three-month and nine-month periods ended September 30, 2011 and \$1,651,697 and \$4,759,036 for the three-month and nine-month periods ended September 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 \$971,313 and \$3,133,619 for the three-month and nine-month periods ended September 30, 2011, respectively, and \$1,169,309 and \$3,225,837 for the three-month and nine-month periods ended September 30, 2010, respectively; fees from the grocery store take-n-bake were \$325,419 and \$873,019 for the three-month and nine-month periods ended September 30, 2011, respectively, and \$144,166 and \$257,191 for the three-month and nine-month periods ended September 30, 2010, respectively; and royalties and fees from traditional locations were \$287,684 and \$838,404 for the three-month and nine-month periods ended September 30, 2011, respectively, and \$338,222 and \$1,276,008 for the three-month and nine-month periods ended September 30, 2010, respectively. The Company has no material amount of past due royalties.

There were 1,112 franchises and licenses in operation on December 31, 2010 and 1,460 franchises and licenses in operation on September 30, 2011. During the nine-month period ended September 30, 2011 there were 362 new franchises and licenses opened and 14 franchises closed. The breakdown of the 1,460 franchises and licenses at September 30, 2011 was 751 non-traditional franchises and licenses other than grocery stores, 667 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 nine-month periods ended September 30, 2011:

	Three Months Ended September 30, 2011		
	Income	Shares	Per-Share Amount
	(Numerator)	(Denominator)	-----
Net income	\$11,581	19,469,317	\$.00

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

Less preferred stock dividends	(24,682)	

Earnings per share - basic		
Loss available to common stockholders	(13,101)	.00
Effect of dilutive securities		
Options		323,170
Convertible preferred stock	24,682	366,666

Diluted earnings per share		
Income available to common stockholders and assumed conversions	\$11,581	20,159,153 \$.00

8

	Nine Months Ended September 30, 2011		
	Income	Shares	Per-Share Amount
	-----	-----	-----
	(Numerator)	(Denominator)	-----
Net income	\$768,518	19,453,932	\$.04
Less preferred stock dividends	(74,047)		

Earnings per share - basic			
Income available to common stockholders	694,471		.04
Effect of dilutive securities			
Options		323,170	
Convertible preferred stock	74,047	366,666	

Diluted earnings per share			
Income available to common stockholders and assumed conversions	\$768,518	20,143,768	\$.04

The following table sets forth the calculation of basic and diluted earnings (loss) per share for the three-month and nine-month periods ended September 30, 2010:

	Three Months Ended September 30, 2010		
	Income	Shares	Per-Share Amount
	-----	-----	-----
	(Numerator)	(Denominator)	-----
Net loss	\$ (528,527)	19,413,092	\$ (.03)
Less preferred stock dividends	(24,682)		

Earnings per share - basic			

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

Loss available to common stockholders	(553,209)	(.03)
Effect of dilutive securities		
Warrants	33,684	
Options	299,021	
Convertible preferred stock	24,682	366,666
	-----	-----
Diluted earnings per share		
Loss available to common stockholders and assumed conversions	\$ (528,527)	20,112,463 \$ (.03)

	Nine Months Ended September 30, 2010		
	Income	Shares	Per-Share Amount
	-----	-----	-----
	(Numerator)	(Denominator)	-----
Net income	\$197,813	19,412,699	\$.01
Less preferred stock dividends	(65,729)		

Earnings per share - basic			
Income available to common stockholders	132,084		.01
Effect of dilutive securities			
Warrants		33,684	
Options		299,021	
Convertible preferred stock	65,729	366,666	
	-----	-----	
Diluted earnings per share			
Income available to common stockholders and assumed conversions	\$197,813	20,112,070	\$.01

9

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 in June 2008. 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 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

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

against the Company, another group settled by paying a fee to the Company in exchange for the Company dismissing its counterclaim against that Plaintiff and the Court held another group of franchisee-Plaintiffs in contempt and dismissed its claims with prejudice.

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, interest, cost of collection and punitive damages in certain instances. The Company intends to prosecute the counterclaims and obtain and execute on judgments against the Plaintiffs.

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 motion was deemed denied on April 25, 2011. The deadline for filing a notice of appeal expired on May 25, 2011 and none was filed.

On June 28, 2011, Plaintiffs filed a motion asking the Court to reconsider its Order of December 23, 2010 making it an "Interlocutory" order instead of a "Final" order. The Company filed its response opposing that motion. However, on June 8, 2011 Plaintiffs filed an appeal with 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 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 filed a motion opposing the 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. On August 18, 2011 the Court of Appeals entered an order dismissing the Plaintiffs' appeal with prejudice. Therefore, the Company filed a motion in the trial court asking the Court to dismiss Plaintiffs' July 29, 2011 motion as moot. On October 27, 2011, the Court entered an Order dismissing all of the July 29, 2011 motion as moot, except for allegations of misconduct by an adverse party. That allegation is set for hearing on November 15, 2011.

10

On September 21, 2011, the Company filed motions for partial summary judgment as to liability against all remaining Plaintiffs on the Company's counterclaims. Plaintiffs' responses to those motions were due on November 2, 2011, however, Plaintiffs requested a two-day extension until November 4, 2011. Plaintiff's actually filed their response on November 7, 2011. After reviewing the response, the Company will file a reply and the Court has set a hearing on those 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.

Note 8: Loss on discontinued operations was \$316,022, net of a tax benefit of \$207,280, in the three-month and nine-month periods ended September 30, 2011

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

compared to a loss of \$935,237, net of a tax benefit of \$604,415, for the three-month and nine-month periods ended September 30, 2010. In 2011, the loss on discontinued operations consisted primarily of legal and other expenses related to the Heyser lawsuit and expenses incurred related to a leased facility formerly containing one of the full-service restaurants, which was a part of the 1999 discontinued operations. The additional accrual for the Heyser lawsuit was necessary as actual expenses exceeded previous estimates primarily because, since the Company was granted summary judgment dismissing their fraud claims on December 23, 2010, the Plaintiffs have filed numerous motions for reconsideration and an appeal, all of which created additional legal and other expenses. The additional accrual for the leased facility was necessary because the previous estimates for those expenses assumed that the Company would find a sub-tenant for the building, which it has been unable to do primarily because of the abundance of commercial space available due to the poor economy. In 2010, loss on discontinued operations consisted of additional accrual to defend the Heyser lawsuit, as explained in Note 6, and the write-off of various receivables originated in 2007 and 2008 relating to the operations that were discontinued in 2008 and, through court proceedings in 2010, were determined to be doubtful of collection.

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

Introduction

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

"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:

11

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

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

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

In September 2009, the Company introduced a take-n-bake version of its pizza as an addition to its menu offerings. The Company generates revenues from the take-n-bake pizza based upon sales by distributors; licensees do not pay a separate franchise fee. 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 910 grocery store locations to operate the take-n-bake pizza program and approximately 730 of these locations have been opened. 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 next year. The take-n-bake program has also been integrated into the operations of several existing convenience store franchises, generating add-on sales, and is now being offered as a part of their franchise 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.

12

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. The Company awards Tuscano's franchises almost always for the same facilities as Noble Roman's Pizza franchises, for a broader food offering in the non-traditional locations. Tuscano's franchises are also available for locations that do not have a Noble Roman's Pizza franchise, however it is not promoted in that manner.

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

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

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 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 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.

13

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 a stand-alone offering for grocery stores and an add-on component for new and existing convenience store franchisees or licensees. Since September 2009, when the Company started offering take-n-bake pizza to grocery store chains through November 5, 2011, the Company has signed agreements with 910 grocery store locations to operate the take-n-bake pizza program and has opened take-n-bake pizza in approximately 730 of those locations. The Company is currently in discussions with numerous grocery store owners for additional take-n-bake locations. Beginning in August 2011, the Company introduced six new "Signature Specialty Take-N-Bake Pizza" combinations to its current standard offerings. These pizzas feature unique, fun combination

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

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, appeal to the program to attract new locations and to generally increase sales of the Company's products.

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 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.

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. In July 2010, the Company signed an agreement with a grocery store distributor headquartered in California and the Company now has 252 take-n-bake agreements with its customers. In October 2010, the Company signed an agreement with a grocery store distributor in Wisconsin, however, they did not stock their warehouse until February 2011. The Company now has 25 take-n-bake agreements with its customers. In January 2011, the Company signed an agreement with a grocery store distributor headquartered in Connecticut. The Company now has 69 take-n-bake agreements with its customers. In March 2011, the Company signed an agreement with a grocery store distributor in Oklahoma. The Company now has 90 take-n-bake agreements with its customers. Also in March 2011, the Company signed an agreement with a grocery store distributor in Utah. The Company now has 77 take-n-bake agreements with its customers. In April 2011, the Company signed an agreement with a grocery store distributor in Pennsylvania. The Company now has 26 take-n-bake agreements with its customers. In May 2011, the Company signed an agreement with a grocery store distributor in New Hampshire. The Company now has 19 take-n-bake agreements with its customers. In August 2011, the Company signed an agreement with a grocery store distributor in Indiana. The Company now has 14 take-n-bake agreements with its customers. Also in August 2011, the Company signed an agreement with a grocery store distributor in Texas. The Company now has 67 take-n-bake agreements with its 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

14

requiring very low amounts of labor, allowing for a significant competitive advantage due to the speed at which its products can be prepared, baked and served to customers.

Financial Summary

The preparation of the consolidated financial statements in conformity with

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2011	2010	2011
Royalties and fees	92.4 %	92.1 %	92.4 %	92.3 %
Administrative fees and other	.3	.2	.5	.4
Restaurant revenue	7.3	7.7	7.1	7.3
Total revenue	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:				
Salaries and wages	13.2	14.3	13.4	13.5
Trade show expense	4.1	4.4	4.2	4.8
Travel expense	2.0	2.9	2.0	2.8
Other operating expense	9.1	9.4	9.8	9.6
Restaurant expenses	7.1	7.8	7.0	7.1
Depreciation and amortization	.8	2.0	.8	1.6
General and administrative	21.2	22.9	22.1	22.2
Total expenses	57.5	63.7	59.3	61.6
Operating income	42.5	36.3	40.7	38.4
Interest and other expense	6.2	5.6	6.2	5.4
Income before income taxes	36.3	30.7	34.5	33.0
Income tax expense	14.4	12.1	13.7	13.1
Net income from continuing operations	21.9 %	18.6 %	20.8 %	19.9 %

Results of Operations

Total revenue decreased from \$1,852,897 to \$1,765,651 and increased from \$5,440,343 to \$5,448,157 for the three-month and nine-month periods ended September 30, 2011, respectively, compared to the corresponding periods in 2010. One-time fees, franchisee fees and equipment commissions ("upfront fees") decreased from \$60,378 to \$39,527 and from \$267,470 to \$185,491 during the three-month and nine-month periods ended September 30, 2011 compared to the corresponding periods in 2010. Ongoing royalties and fees decreased from

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

\$1,651,697 to \$1,584,416 and increased from \$4,759,036 to \$4,845,041 for the three-month and nine-month periods ended September 30, 2011, respectively,

15

compared to the corresponding periods in 2010. The breakdown of royalties and fees, less upfront fees, are royalties and fees from non-traditional franchises other than grocery stores were \$971,313 and \$3,133,619 for the three-month and nine-month periods ended September 30, 2011, respectively, and \$1,169,309 and \$3,225,837 for the three-month and nine-month periods ended September 30, 2010, respectively; fees from the grocery store take-n-bake were \$325,419 and \$873,019 for the three-month and nine-month periods ended September 30, 2011, respectively, and \$144,166 and \$257,191 for the three-month and nine-month periods ended September 30, 2010, respectively; and royalties and fees from traditional locations were \$287,684 and \$838,404 for the three-month and nine-month periods ended September 30, 2011, respectively, and \$338,222 and \$1,276,008 for the three-month and nine-month periods ended September 30, 2010, respectively. Included in royalties and fees from traditional locations were \$200,000 and \$600,000 for the three-month and nine-month periods ended September 30, 2011, respectively, and \$275,000 and \$1,080,000 for the three-month and nine-month periods ended September 30, 2010, respectively, for royalties and fees recognized as collectible from traditional locations which are no longer operating.

Total fees increased \$181,253 and \$615,828 for the three-month and nine-month periods ended September 30, 2011 compared to the corresponding periods in 2010 from grocery stores take-n-bake locations primarily as a result of adding new locations partially offset by lower sales per location due to the unusually hot summer months. The increase of revenue from grocery store take-n-bake locations was offset by decreases in royalties and fees from non-traditional locations other than grocery stores and traditional locations. Royalties and fees from non-traditional locations decreased \$197,996 and \$92,218 for the three-month and nine-month periods ended September 30, 2011 compared to the corresponding periods in 2010. The decreases in the non-traditional royalties and fees were primarily from sales decreases in entertainment centers of all types including family entertainment centers, bowling centers, parks and zoos. We believe this resulted from the unusually hot summer weather throughout most of the country combined with low consumer spending. Royalties and fees from traditional locations decreased \$50,538 and \$437,604 for the three-month and nine-month periods ended September 2011 compared to the corresponding periods in 2010. This decrease was the result of a decrease of \$75,000 and \$480,000 for the three-month and nine-month periods ended September 30, 2011 in royalties and fees recognized as collectible from traditional locations which are no longer operating.

Restaurant revenue increased from \$135,337 to \$138,601 and from \$387,644 to \$395,122 for the three-month and nine-month periods ended September 30, 2011 compared to the corresponding periods in 2010. The increases in the third quarter and in the nine-month period were a result of same store sales increasing. The Company only operates two locations primarily for testing and demonstration purposes.

Salaries and wages increased, as a percentage of total revenue, from 13.2% to 14.3% and from 13.4% to 13.5% for the three-month and nine-month periods ended September 30, 2011 compared to the corresponding periods in 2010. The increases were the result of the revenue decrease in the three-month period with a slight increase in actual salaries and wages, and in the nine-month period a slight increase in revenue with a slight increase in actual salaries. Salaries and wages increased slightly from \$244,396 to \$251,790 and from \$729,912 to \$736,929 for the three-month and nine-month periods ended September 30, 2011 compared to

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

the corresponding periods in 2010.

Trade show expenses increased from 4.1% to 4.4% of total revenue and from 4.2% to 4.8% of total revenue for the three-month and nine-month periods ended September 30, 2011, respectively, compared to the corresponding periods in 2010. These increases were the result of scheduling more trade shows for grocery stores.

16

Travel expenses increased from 2.0% to 2.9% of total revenue and from 2.0% to 2.8% of total revenue for the three-month and nine-month periods ended September 30, 2011, respectively, compared to the corresponding periods in 2010. Actual travel expense increased from \$36,362 to \$50,919 and from \$109,365 to \$150,393 for the three-month and nine-month periods ended September 30, 2011 compared to the corresponding periods in 2010. These increases were the result of opening 341 take-n-bake locations in grocery stores throughout the country during the first nine months of 2011 compared to opening 200 locations in the corresponding period of 2010.

Other operating expenses increased, as a percentage of total revenue, from 9.1% to 9.4% and decreased from 9.8% to 9.6% for the three-month and nine-month periods ended September 30, 2011, respectively, compared to the corresponding periods in 2010. Actual operating expenses decreased from \$167,994 to \$165,286 and from \$534,552 to \$520,516 for the three-month and nine-month periods ended September 30, 2011 compared to the corresponding periods in 2010. These decreases were the result of management's effort to tightly control operating expenses. The percentage increase in the three-month period was the result of a slight decrease in total revenue and the percentage decrease in the nine-month period was the result of a slight increase in total revenue.

Restaurant expenses increased as a percentage of total revenue from 7.1% to 7.8% and from 7.0% to 7.1% for the three-month and nine-month periods ended September 30, 2011, respectively, compared to the corresponding periods in 2010. The increase in percentage for the three-month period was a result of the slight decrease in total revenue and the increase percentage in the nine-month period was a result of the increased restaurant activity as a result of same store sales increases. The Company only operates two restaurants which it uses for demonstration, training and testing purposes.

General and administrative expenses increased as a percentage of total revenue from 21.2% to 22.9% and from 22.1% to 22.2% for the three-month and nine-month periods ended September 30, 2011, respectively, compared to the corresponding periods in 2010. General and administrative expense increased from \$394,227 to \$405,281 and from \$1,204,003 to \$1,217,099 for the three-month and nine-month periods ended September 30, 2011, respectively, compared to the corresponding periods in 2010. The increase in general and administrative expense was primarily the result of an increase in the expense from amortization of stock options.

Total expenses increased as a percentage of total revenue from 57.5% to 63.7% and from 59.3% to 61.6% for the three-month and nine-month periods period ended September 30, 2011, respectively, compared to the corresponding periods in 2010. Total expenses increased from \$1,064,488 to \$1,124,207 and from \$3,225,643 to \$3,357,441 for the three-month and nine-month periods ended September 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 357 locations in the nine-month period of 2011 compared to a total of 229 locations in the corresponding period in 2010.

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

Operating income decreased as a percentage of total revenue from 42.5% to 36.3% and from 40.7% to 38.4% for the three-month and nine-month periods ended September 30, 2011, respectively, compared to the corresponding periods in 2010. Operating income decreased from \$788,409 to \$641,444 and from \$2,214,700 to \$2,090,716 for the three-month and nine-month periods ended September 30, 2011, respectively, compared to the corresponding periods in 2010.

Interest expense decreased as a percentage of total revenue from 6.2% to 5.6% and from 6.2% to 5.4% for the three-month and nine-month periods ended September 30, 2011, respectively, compared to the corresponding periods in 2010. These decreases were primarily the result of a decrease in notes payable outstanding.

17

Net income from continuing operations decreased from \$406,710 to \$327,603 and from \$1,133,050 to \$1,084,540 for the three-month and nine-month periods ended September 30, 2011 compared to the corresponding periods in 2010.

Liquidity and Capital Resources

The Company's current strategy is to grow its business by concentrating on franchising non-traditional locations and licensing grocery stores to sell take-n-bake pizza and the other retail products. The Company has chosen that strategy as a means to accelerate non-traditional unit growth by increasing revenue without the need to incur 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 1.4-to-1 at both September 30, 2011 and 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 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 has paid all the required interest payments to date. 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 October 28, 2011, the Company entered into a Fifth 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 (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 \$1,800,000. The

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

Amendment maintains the current interest rate applicable to amounts borrowed of LIBOR plus 4.25% per annum, but increases the interest rate applicable to amounts borrowed under the Loan Agreement beginning July 1, 2012 to LIBOR plus 7.25% per annum.

18

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

Date	Amount
----	-----
October 1, 2011	\$125,000
November 1, 2011	-
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	\$1,800,000

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 and the growth in the number of grocery store locations licensed to sell the take-n-bake pizza and other retail products for grocery stores.

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 (approximately \$1,375,000 as of November 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

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

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

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 our Annual Report on Form 10-K for the year ended December 31, 2010. Should one or more of these risks or

19

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 September 30, 2011, the Company had outstanding variable rate interest-bearing debt in the aggregate principal amount of \$3.8 million. The Company's current bank borrowings are at a variable rate tied to the London Interbank Offered Rate ("LIBOR") plus 4.25% per annum through June 2012 and plus 7.25% per annum beginning July 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 November 5, 2011 of \$3.65 million for each 1.0% increase in LIBOR, the Company would incur increased interest expense of approximately \$13,000 over the succeeding twelve-month period.

ITEM 4. Controls and Procedures

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

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

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

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

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, another group settled by paying a fee to the Company in exchange for the Company dismissing its counterclaim against that Plaintiff and the Court held another group of franchisee-Plaintiffs in contempt and dismissed its claims with prejudice.

20

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, interest, cost of collection and punitive damages in certain instances. The Company intends to prosecute the counterclaims and obtain and execute on judgments against the Plaintiffs.

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 motion was deemed denied on April 25, 2011. The deadline for filing a notice of appeal expired on May 25, 2011 and none was filed.

On June 28, 2011, Plaintiffs filed a motion asking the Court to reconsider its Order of December 23, 2010 making it an "Interlocutory" order instead of a "Final" order. The Company filed its response opposing that motion. However, on June 8, 2011 Plaintiffs filed an appeal with 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 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 filed a motion opposing the 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. On August 18, 2011 the Court of Appeals entered an order dismissing the Plaintiffs' appeal with prejudice. Therefore, the Company filed a motion in the trial court asking the Court to dismiss Plaintiffs' July 29, 2011 motion as moot. On October 27, 2011, the Court entered an Order dismissing all of the July 29, 2011 motion as moot, except for allegations of misconduct by an adverse party. That allegation is set for hearing on November 15, 2011.

On September 21, 2011, the Company filed motions for partial summary judgment as to liability against all remaining Plaintiffs on the Company's counterclaims. Plaintiffs' responses to those motions were due on November 2, 2011, however, Plaintiffs requested a two-day extension until November 4, 2011. Plaintiff's actually filed their response on November 7, 2011. After reviewing the response, the Company will file a reply and the Court has set a hearing on those motions for December 6, 2011.

ITEM 6. Exhibits.

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

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.

By: /s/ Paul W. Mobley

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

Date: November 10, 2011

Index to Exhibits

Exhibit

- 3.1 Amended Articles of Incorporation of the Registrant, filed as an exhibit to the Registrant's Amendment No. 1 to the Post Effective Amendment No. 2 to Registration Statement on Form S-1 filed July 1, 1985 (SEC File No.2-84150), is incorporated herein by reference.
- 3.2 Amended and Restated By-Laws of the Registrant, as currently in effect, filed as an exhibit to the Registrant's Form 8-K filed December 24, 2009, is incorporated herein by reference.
- 3.3 Articles of Amendment of the Articles of Incorporation of the Registrant effective February 18, 1992 filed as an exhibit to the Registrant's Registration Statement on Form SB-2 (SEC File No. 33-66850), ordered effective on October 26, 1993, is incorporated herein by reference.
- 3.4 Articles of Amendment of the Articles of Incorporation of the Registrant effective May 11, 2000, filed as Annex A and Annex B to the Registrant's Proxy Statement on Schedule 14A filed March 28, 2000, is incorporated herein by reference.

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

- 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.
- 23
- 10.4 Noble Roman's, Inc. Form of Stock Option Agreement filed with the Registrant's Form S-8 filed November 29, 1994 (SEC File No. 33-86804), is incorporated herein by reference.
- 10.5 Loan Agreement with Wells Fargo Bank, N.A. dated August 25, 2005 filed as Exhibit 10.1 to the Registrant's current report on Form 8-K filed August 29, 2005, is incorporated herein by reference.
- 10.6 First Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated February 4, 2008, filed as Exhibit 10.1 to the Registrant's report on Form 8-K filed February 8, 2008, is incorporated herein by reference.
- 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.

Edgar Filing: NOBLE ROMANS INC - Form 10-Q

- 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, filed on August 10, 2011, 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.
- 101 Interactive Financial Data