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NOBLE ROMANS INC
Form 10-Q
May 11, 2009

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended March 31, 2009

Commission file number: 0-11104

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

Indiana
(State or other jurisdiction
of organization)

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

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

46204
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 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 May 7, 2009, there were 19,412,499 shares of Common Stock, no par value, outstanding.

PART I - FINANCIAL INFORMATION

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ITEM 1. Financial Statements

The following unaudited condensed consolidated financial statements are included herein:

Condensed consolidated balance sheets as of December 31, 2008 and March 31, 2009 (unaudited)	Page 3
Condensed consolidated statements of operations for the three months ended March 31, 2008 and 2009 (unaudited)	Page 4
Condensed consolidated statements of changes in stockholders' equity for the three months ended March 31, 2009 (unaudited)	Page 5
Condensed consolidated statements of cash flows for the three months ended March 31, 2008 and 2009 (unaudited)	Page 6
Notes to condensed consolidated financial statements (unaudited)	Page 7

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

	December 31, 2008	Mar 2
	-----	-----
Assets		
Current assets:		
Cash	\$ 450,968	\$
Accounts and notes receivable - net	1,046,545	1,
Inventories	223,024	
Assets held for resale	242,690	
Prepaid expenses	222,095	
Current portion of long-term notes receivable	5,810	
Deferred tax asset - current portion	1,050,500	1,
	-----	-----
Total current assets	3,241,632	3,
	-----	-----
Property and equipment:		
Equipment	1,206,979	1,
Leasehold improvements	96,512	
	-----	-----
	1,303,491	1,
Less accumulated depreciation and amortization	821,422	
	-----	-----
Net property and equipment	482,069	
Deferred tax asset (net of current portion)	11,802,637	11,

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Other assets including long-term portion of notes receivable	1,752,102	1,
	-----	-----
Total assets	\$ 17,278,440	\$ 17,
	=====	=====
	Liabilities and Stockholders' Equity	
Current liabilities:		
Current portion of long-term note payable	\$ 1,500,000	\$ 1,
Accounts payable and accrued expenses	1,191,116	1,
	-----	-----
Total current liabilities	2,691,116	2,
	-----	-----
Long-term obligations:		
Note payable to bank (net of current portion)	5,625,000	5,
	-----	-----
Total long-term liabilities	5,625,000	5,
	-----	-----
Stockholders' equity:		
Common stock - no par value (25,000,000 shares authorized, 19,412,499 issued and outstanding as of December 31, 2008 and March 31, 2009)	23,023,250	23,
Preferred stock (5,000,000 shares authorized and 20,625 issued and outstanding as of December 31, 2008 and March 31, 2009)	800,250	
Accumulated deficit	(14,861,176)	(14,
	-----	-----
Total stockholders' equity	8,962,324	9,
	-----	-----
Total liabilities and stockholders' equity	\$ 17,278,440	\$ 17,
	=====	=====

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 March 31,	
	2008	2009
	-----	-----
Royalties and fees	\$ 1,948,153	\$ 1,759,614
Administrative fees and other	13,441	12,563
Restaurant revenue	388,841	118,891
	-----	-----
Total revenue	2,350,435	1,891,068
Operating expenses:		
Salaries and wages	381,092	274,149
Trade show expense	123,473	75,617
Travel expense	113,581	44,532
Sales commissions	31,688	3,627
Other operating expenses	237,474	191,949
Restaurant expenses	374,426	118,023
Depreciation and amortization	25,318	19,338
General and administrative	422,302	353,402

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Total expenses	1,709,355	1,080,637
Operating income	641,080	810,431
Interest and other expense	154,064	120,315
Income before income taxes	487,016	690,116
Income tax expense	165,586	273,355
Net income	321,431	416,761
Cumulative preferred dividends	16,636	16,636
Net income available to common stockholders	\$ 304,795	\$ 400,125
Earnings per share - basic:		
Net income	\$.02	\$.02
Net income available to common stockholders	.02	.02
Weighted average number of common shares outstanding	19,196,395	19,412,499
Diluted earnings per share:		
Net income	\$.02	\$.02
Weighted average number of common shares outstanding	20,297,994	19,854,863

See accompanying notes to condensed consolidated financial statements.

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

	Preferred Stock	Common Stock Shares	Common Stock Amount	Accumulate Deficit
	-----	-----	-----	-----
Balance at December 31, 2008	\$ 800,250	19,412,499	\$ 23,023,250	\$(14,861,1
Net income for three months ended March 31, 2009				416,7
Cumulative preferred dividends				(16,6
Amortization of value of employee stock options			15,217	
Balance at March 31, 2009	\$ 800,250	19,412,499	\$ 23,038,467	\$(14,461,0

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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)

	Three Months Ended March 31,	
	2008	2009
OPERATING ACTIVITIES		
Net income	\$ 321,431	\$ 416,761
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	45,493	46,929
Deferred income taxes	165,586	273,355
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and notes receivable	(287,731)	(236,160)
Inventories	(19,371)	(13,848)
Prepaid expenses	(55,094)	13,716
Other assets	(4,652)	(23,025)
Increase (decrease) in:		
Accounts payable and accrued expenses	(43,337)	26,228
NET CASH PROVIDED BY OPERATING ACTIVITIES	122,325	503,956
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,106)	(18,385)
Investment in assets held for resale	(536,365)	--
NET CASH USED IN INVESTING ACTIVITIES	(538,471)	(18,385)
FINANCING ACTIVITIES		
Payment of obligations from discontinued operations	(70,996)	(215,925)
Payment of cumulative preferred dividends	(16,636)	(16,636)
Payment of principal on outstanding debt	(375,000)	(375,000)
Payments received on long-term notes receivable	49,362	1,418
Proceeds from additional borrowing less issuance cost	2,975,024	--
Proceeds from the exercise of stock options and warrants	12,500	--
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,574,254	(606,143)
Increase (decrease) in cash	2,158,108	(120,572)
Cash at beginning of period	832,207	450,968

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Cash at end of period	\$ 2,990,315	\$ 330,396
	=====	=====

Supplemental schedule of non-cash investing and financing activities

None.

Cash paid for interest	\$ 132,141	\$ 114,311
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See accompanying notes to condensed consolidated financial statements.

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Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 - The interim condensed consolidated financial statements, included herein, are unaudited, but reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results of operations for the interim periods presented and the financial condition as of the dates indicated, which adjustments are of a normal recurring nature. The results for the three-month period ended March 31, 2009 are not necessarily indicative of the results to be expected for the full year ending December 31, 2009.

Note 2 - Royalties and fees include \$135,500 and \$28,600 for the three-month periods ended March 31, 2008 and 2009, respectively, of initial franchise fees. Royalties and fees include \$110,475 and \$56,023 for the three-month period ended March 31, 2008 and 2009, respectively, of equipment commissions. Royalties and fees, less initial franchise fees and equipment commissions were \$1,702,178 and \$1,674,991 for the three-month periods ended March 31, 2008 and 2009, respectively. The Company's ongoing royalty income is primarily paid electronically by the Company initiating a draft on the franchisee's account by electronic withdrawal. As such, the Company has no material amount of past due royalties.

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

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income	\$ 416,761	19,412,499	\$.02
Less preferred stock dividends	(16,636)		

Earnings per share - basic			
Income available to common stockholders	400,125		.02
Effect of dilutive securities			
Warrants		0	
Options		75,698	
Convertible preferred stock	16,636	366,666	
	-----	-----	
Diluted earnings per share			
Income available to common stockholders			

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and assumed conversions \$ 416,761 19,854,863 \$.02

Note 4 - The Company is a Defendant in a lawsuit styled Kari Heyser, Fred Eric Heyser and Meck Enterprises, LLC, et al v. Noble Roman's, Inc. et al, filed in Superior Court in Hamilton County, Indiana in June 2008. The Plaintiffs in the case are former franchisees of the Company's traditional location format. In addition to the Company, the Defendants include certain of the Company's officers and lenders to certain of the Plaintiffs. The Plaintiffs allege that the Defendant's induced them to purchase traditional franchises through fraudulent representations and omissions of material facts regarding the franchises, and seek compensatory and punitive damages. No substantive discovery has yet been completed. The Company believes that it has strong and meritorious legal and factual defenses to these claims and will vigorously defend its interests in this case.

The Company filed a Counter-Claim for Damages against all of the Plaintiffs and moved to obtain Preliminary and Permanent Injunctions against a majority of the Plaintiffs to remedy the Plaintiff's

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

The company subsequently filed a Motion to Revoke the Temporary Admission Pro Hac Vice of David M. Duree, Plaintiff's counsel, for filing fraudulent affidavits with the Court. The Court granted this motion on March 31, 2009. In the same ruling the Court: continued the Motion to Show Cause to allow parties time to conduct discovery, including depositions on the preliminarily enjoined Plaintiffs, on that issue; granted preliminary injunctions against Plaintiffs Gomes and Villasenor; dismissed claims against CIT Small Business Lending Corporation and PNC Bank with prejudice, and struck the fraudulent affidavits. The Court has granted Plaintiff's Motion for Continuance until May 14, 2009 to allow time for them to engage new counsel.

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

Introduction

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

Noble Roman's Pizza

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

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

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

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Tuscano's Italian Style Subs

Tuscano's Italian Style Subs is a separate restaurant concept that focuses on sub sandwich menu items. Tuscano's was designed to be comfortably familiar from a customer's perspective but with many distinctive features that include an Italian themed menu. The franchise fee and ongoing royalty for a Tuscano's is identical to that charged for a Noble Roman's Pizza franchise. For the most part, the Company awards Tuscano's franchises for the same facilities as Noble Roman's Pizza franchises, although Tuscano's franchises are also available for locations that do not have a Noble Roman's Pizza franchise.

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

Noble Roman's Bistro

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

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also available with an optional breakfast expansion menu featuring a wide variety of standard breakfast favorites. Customers move along the food display counter and are served to order as they go.

Business Strategy

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

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

With the major focus being on non-traditional franchising, the Company's requirements for overhead and operating cost are reduced. In addition, during December 2008 the Company discontinued operating restaurants, by selling all but two of the restaurants to be operated as franchises, which also substantially

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

Enhance Product Offerings. To augment the Company's sales opportunities within non-traditional venues, it introduced the Noble Roman's Bistro service system in October 2008. As an addition to the other service systems offered in its Noble Roman's Pizza and Tuscano's Italian Style Subs concepts, the Bistro was designed to appeal to additional types of businesses and operational objectives with its fresh food display and serve-to-order serving system. Though presented or packaged differently, the substantial majority of the menu selections are comprised of ingredients already utilized in Noble Roman's Pizza and Tuscano's Italian Style Subs, thereby leveraging the Company's simple systems, distribution and purchasing power.

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

Financial Summary

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

The following table sets forth the percentage relationship to total revenue of the listed items included in Noble Roman's consolidated statements of operations for the three-month period ended March 31, 2008 and 2009, respectively.

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	Three Months Ended March 31,	
	2008	2009
	-----	-----
Royalties and fees	82.9 %	93.0 %
Administrative fees and other	.6	.7
Restaurant revenue	16.5	6.3
	-----	-----
Total revenue	100.0 %	100.0 %
Operating expenses:		
Salaries and wages	16.2	14.5
Trade show expense	5.3	4.0
Travel expense	4.8	2.3
Sales commissions	1.3	.2
Other operating expense	10.1	10.2
Restaurant expenses	15.9	6.2
Depreciation and amortization	1.1	1.0
General and administrative	18.0	18.7
	-----	-----
Total expenses	72.7	57.1
	-----	-----
Operating income	27.3 %	42.9 %
Interest and other expense	6.6	6.4
	-----	-----
Income before income taxes	20.7 %	36.5 %
Income tax expense	7.0	14.5
	-----	-----
Net income	13.7 %	22.0 %
	=====	=====

Results of Operations

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Three-Month Periods Ended March 31, 2008 and 2009

Total revenue decreased from \$2.4 million to \$1.9 million for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. This decrease was primarily the result of selling fewer franchises and less equipment commissions in the period ended March 31, 2009 compared to the corresponding period in 2008. Restaurant revenue also decreased \$270,000 as the Company operated fewer restaurants in the 2009 period.

Royalties and fees include \$135,500 and \$28,600 for the three-month periods ended March 31, 2008 and 2009, respectively, of initial franchise fees. Royalties and fees include \$110,475 and \$56,023 for the three-month periods ended March 31, 2008 and 2009, respectively, of equipment commissions. Royalties and fees, less the initial franchise fees and equipment commissions were \$1,702,178 and \$1,674,991 for the three-month periods ended March 31, 2008 and 2009, respectively.

Restaurant revenues decreased from \$388,841 to \$118,891 for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. This decrease was the result of the Company discontinuing operating restaurants in December 2008. The Company plans to continue operating two restaurants used for training and demonstration purposes.

Salaries and wages decreased from 16.2% of total revenue to 14.5% of total revenue for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. This decrease was the result of a reduction in staff due to the Company's decision to discontinue operating restaurants pending refranchising and as a result of the Company's strategy to grow by concentrating its efforts on

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franchising non-traditional locations. The reduction was partially offset by the decrease in revenue as a result of opening fewer new franchises.

Trade show expenses decreased from 5.3% of total revenue to 4.0% of total revenue for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. This decrease was the result of scheduling fewer trade shows by eliminating all events focused on franchises for traditional locations. The reduction was partially offset by the decrease in revenue as a result of opening fewer new franchises.

Travel expenses decreased from 4.8% of total revenue to 2.3% of total revenue for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. Actual travel expense decreased from \$114,000 to \$45,000 for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. This decrease was the result of the Company's strategy to grow by concentrating its efforts in franchising non-traditional locations which require less on-site support than franchising in traditional locations. The reduction was partially offset by the decrease in revenue as a result of opening fewer new franchises.

Sales commissions decreased from 1.3% to .2% of total revenue for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. This decrease was the result of fewer franchise sales.

Other operating expenses increased, as a percentage of total revenue, from 10.1% to 10.2% for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. Actual operating expenses decreased from \$237,000 to \$192,000. The reduction in operating expenses was offset by the decrease in revenue. This decrease was due to the Company's decision to discontinue

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operating restaurants pending refranchising and as a result of the Company's strategy to grow by concentrating its efforts on franchising non-traditional locations.

Restaurant expenses decreased as a percentage of total revenue from 15.9% to 6.2% for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. This decrease was the result of the Company discontinuing operating restaurants, except for the two restaurants used for training and demonstration purposes, in December 2008.

General and administrative expenses increased as a percentage of total revenue from 18.0% to 18.7% for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. Actual general and administrative expense decreased from \$422,000 to \$353,000 for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. This decrease was the result of the Company's commitment to reducing overhead offset by the decrease in revenue as a result of opening fewer new franchises.

Total expenses decreased as a percentage of total revenue from 72.7% to 57.1% for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. Actual expenses decreased from \$1,709,000 to \$1,081,000 for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. This decrease was due to the Company's decision to discontinue operating restaurants pending refranchising and as a result of the Company's strategy to grow by concentrating its efforts on franchising non-traditional locations.

Operating income increased as a percentage of total revenue from 27.3% to 42.9% for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. The primary reason for this increase was the reduction in overhead as a result of the Company's decision to discontinue

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operating restaurants pending refranchising, and as a result of the Company's strategy to grow by concentrating its efforts on franchising non-traditional locations. The reduction in overhead was only partially offset by the decrease in revenue as a result of opening fewer new franchises. Actual operating income increased from \$641,000 to \$810,000, or 26.4%, for the three-month period ended March 31, 2009 compared to the corresponding period in 2008.

Interest expense decreased as a percentage of total revenue from 6.6% to 6.4% for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. Actual interest expense decreased from \$154,000 to \$120,000 for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. This decrease was the result of a combination of a decrease in notes payable outstanding and lower interest rates.

Net income increased from \$321,000 to \$417,000, or 29.7%, for the three-month period ended March 31, 2009 compared to the corresponding period in 2008. The primary reason for this increase was the reduction in overhead as a result of the Company's decision to discontinue operating any restaurants, except for the two locations the Company operates for testing and demonstration purposes, and as a result of the Company's strategy to grow by concentrating its efforts on franchising non-traditional locations. The reduction in overhead was only partially offset by the decrease in revenue as a result of opening fewer new franchises.

Liquidity and Capital Resources

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

The Company's current ratio increased slightly in the first quarter of 2009 due to profitable operations. The deferred tax asset increased, by the tax benefit, as a result of the loss on discontinued operations recorded in 2008. The Company does not expect to report any loss on discontinued operations in 2009.

In order to intensify focus on non-traditional franchising and withdraw from temporarily operating restaurants, the Company sold the excess restaurants to be operated as franchises, which reduced the Company's requirement for overhead and operating cost. As a result of this strategy, the Company did exceed its plan for the first quarter 2009 consistent with the plans for 2009 as announced in the Form 10-Q for the quarterly period ended September 30, 2008.

As a result of the Company's strategy and cash flow expected to be generated from operations in the future, the Company believes it will have sufficient cash flow to meet its obligations and to carry out its current business plan.

On February 4, 2008, the Company and certain of its subsidiaries, entered into a First Amendment to Loan Agreement (the "Amendment") with Wells Fargo Bank, N.A. that amended the existing Loan Agreement dated August 25, 2005, between the Company and Wells Fargo (the "Loan Agreement").

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Under the Amendment, Wells Fargo loaned the Company an additional \$3.0 million. The Amendment also reduced the interest rate applicable to amounts borrowed under the Loan Agreement from LIBOR plus 4% per annum to LIBOR plus 3.75% per annum and extended the maturity date for borrowings under the loan from August 31, 2011 to August 31, 2013.

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

The Company does not anticipate that any of the recently issued Statement of Financial Accounting Standards will have a material impact on its Statement of Operations or its Balance Sheet.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to interest rate risk relates primarily to its variable-rate debt. As of March 31, 2009, the Company had outstanding interest-bearing debt in the aggregate principal amount of \$6.75 million. The Company's current borrowings are at a monthly variable rate tied to the London Interbank Offered Rate ("LIBOR") plus 3.75% per annum adjusted on a monthly basis. To mitigate interest rate risk, the Company traded its previous swap contract for a new swap contract fixing the rate on 50% of the principal balance outstanding at 8.2%. Based upon the principal balance outstanding as of May 1, 2009 of \$6.5 million for each 1.0% increase in LIBOR, the Company would incur

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increased interest expense of approximately \$30,300 over the succeeding twelve-month period.

ITEM 4. Controls and Procedures

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

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

The Company is a Defendant in a lawsuit styled Kari Heyser, Fred Eric Heyser and Meck Enterprises, LLC, et al v. Noble Roman's, Inc. et al, filed in Superior Court in Hamilton County, Indiana in June 2008. The Plaintiffs in the case are former franchisees of the Company's traditional location format. In addition to the Company, the Defendants include certain of the Company's officers and lenders to certain of the Plaintiffs. The Plaintiffs allege that the Defendant's induced them to purchase traditional franchises through fraudulent representations and omissions of material facts regarding the franchises, and seek compensatory and punitive damages. No substantive discovery has yet been completed. The Company believes that it has strong and meritorious legal and factual defenses to these claims and will vigorously defend its interests in this case.

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

The company subsequently filed a Motion to Revoke the Temporary Admission Pro Hac Vice of David M. Duree, Plaintiff's counsel, for filing fraudulent affidavits with the Court. The Court granted this motion on March 31, 2009. In the same ruling the Court: continued the Motion to Show Cause to allow parties time to conduct discovery, including depositions on the preliminarily enjoined Plaintiffs, on that issue; granted preliminary injunctions against Plaintiffs Gomes and Villasenor; dismissed claims against CIT Small Business Lending Corporation and PNC Bank with prejudice, and struck the fraudulent affidavits. The Court has granted Plaintiff's Motion for Continuance until May 14, 2009 to allow time for them to engage new counsel.

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

ITEM 6. Exhibits.

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(a) Exhibits: See Exhibit Index appearing on page 17.

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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: May 11, 2009

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

- 3.1 Amended Articles of Incorporation of the Registrant, filed as an exhibit to the Registrant's Amendment No. 1 to the Post Effective Amendment No. 2 to Registration Statement on Form S-1 filed July 1, 1985 (SEC File No.2-84150), is incorporated herein by reference.
- 3.2 Amended and Restated By-Laws of the Registrant, as currently in effect, filed as an exhibit to the Registrant's Registration Statement on Form S-18 filed October 22, 1982 and ordered effective on December 14, 1982 (SEC File No. 2-79963C), is incorporated herein by reference.
- 3.3 Articles of Amendment of the Articles of Incorporation of the

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Registrant effective February 18, 1992 filed as an exhibit to the Registrant's Registration Statement on Form SB-2 (SEC File No. 33-66850), ordered effective on October 26, 1993, is incorporated herein by reference.

- 3.4 Articles of Amendment of the Articles of Incorporation of the Registrant effective May 11, 2000, filed as Annex A and Annex B to the Registrant's Proxy Statement on Schedule 14A filed March 28, 2000, is incorporated herein by reference.
 - 3.5 Articles of Amendment of the Articles of Incorporation of the Registrant effective April 16, 2001 filed as Exhibit 3.4 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.
 - 3.6 Articles of Amendment of the Articles of Incorporation of the Registrant effective August 23, 2005, filed as Exhibit 3.1 to the Registrant's current report on Form 8-K filed August 29, 2005, is incorporated herein by reference.
 - 4.1 Specimen Common Stock Certificates filed as an exhibit to the Registrant's Registration Statement on Form S-18 filed October 22, 1982 and ordered effective on December 14, 1982 (SEC File No. 2-79963C), is incorporated herein by reference.
 - 4.2 Form of Warrant Agreement filed as Exhibit 4.1 to the Registrant's current report on Form 8-K filed August 29, 2005, is incorporated herein by reference.
 - 10.1 Employment Agreement with Paul W. Mobley dated November 15, 1994 filed as Exhibit 10.1 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.
 - 10.2 Employment Agreement with A. Scott Mobley dated November 15, 1994 filed as Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.
 - 10.3 1984 Stock Option Plan filed with the Registrant's Form S-8 filed November 29, 1994 (SEC File No. 33-86804), is incorporated herein by reference.
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- 10.4 Noble Roman's, Inc. Form of Stock Option Agreement filed with the Registrant's Form S-8 filed November 29, 1994 (SEC File No. 33-86804), is incorporated herein by reference.
 - 10.5 Loan Agreement with Wells Fargo Bank, N.A. dated August 25, 2005 filed as Exhibit 10.1 to the Registrant's current report on Form 8-K filed August 29, 2005, is incorporated herein by reference.
 - 10.6 First Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated February 4, 2008, filed as Exhibit 10.1 to the Registrant's report on Form 8-K filed February 8, 2008, is incorporated herein by reference.
 - 21.1 Subsidiaries of the Registrant filed in the Registrant's Registration Statement on Form SB-2 (SEC File No. 33-66850) ordered effective on October 26, 1993, is incorporated herein by reference.
 - 31.1 C.E.O. and C.F.O. Certification under Rule 13a-14(a)/15d-15(e).

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32.1 C.E.O. and C.F.O. Certification under Section 1350.