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NOBLE ROMANS INC
Form 10-K
March 16, 2010

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark one)

- ☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities
--- Exchange Act of 1934 for the fiscal year ended December 31, 2009.
--- Transition Report Pursuant to Section 13 or 15 (d) of the Securities
--- Exchange Act of 1934
for the transition period from ____ to ____.

Commission file number 0-11104

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

Indiana 35-1281154
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification No.)

One Virginia Avenue, Suite 300
Indianapolis, Indiana 46204
(Address of principal executive offices)

Registrant's telephone number, including area code: (317) 634-3377
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: Common Stock

Indicate by check mark if the registrant is a well-known seasoned issuer,
as defined in Rule 405 of the Securities Act. Yes No ☒
--- ---

Indicate by check mark if the registrant is not required to file reports
pursuant to Section 13 or Section 15(d) of the Act. Yes No ☒
--- ---

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 Website, 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 if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K (Section 229,405 of this chapter) is not contained herein,
and will not be contained, to the best of registrant's knowledge, in definitive
proxy or information statements incorporated by reference in Part III of this
Form 10-K or any amendment to this Form 10-K. ☒

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

Large Accelerated Filer	---	Accelerated Filer	---
Non-Accelerated Filer	---	Smaller Reporting Company	X
(do not check if a smaller reporting company)	---		---

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the registrant as of June 30, 2009, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price of the registrant's common shares on such date was \$5.6 million.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 19,412,499 shares of common stock as of March 8, 2010.

Documents Incorporated by Reference:

Portions of the definitive proxy statement for the registrant's 2010 Annual Meeting of Shareholders are incorporated by reference in Part III.

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PART 1

ITEM 1. BUSINESS

General Information

Noble Roman's, Inc., an Indiana corporation incorporated in 1972 (the "Company"), sells and services franchises for non-traditional and co-branded foodservice operations under the trade names "Noble Roman's Pizza", "Noble Roman's Bistro", "Noble Roman's Take-N-Bake", "Tuscano's Italian Style Subs" and "Tuscano's Grab-N-Go Subs". The concepts' hallmarks include high quality pizza and sub sandwiches, along with other related menu items, simple operating systems, fast service times, labor-minimizing operations, attractive food costs and overall affordability. Since 1997, the Company has focused its efforts and resources primarily on franchising for non-traditional and co-branded locations and now has awarded franchises in 45 states plus Washington, D.C., Puerto Rico, Guam, Italy and Canada. In 2005 the Company began selling franchises for its concepts in traditional restaurant locations. In 2006 the Company began selling development territories to area developers in an attempt to accelerate growth in the dual-branded traditional concept. However, with the current economic environment and the related difficulties in obtaining third party financing, the Company believes its non-traditional franchises currently offer more favorable growth potential. Therefore, the Company is currently focusing all of its sales efforts on selling franchises for non-traditional locations. Prior to 1997, the Company had approximately 25 years' experience operating pizza restaurants in traditional locations, giving it expertise in the design and support of foodservice systems for franchisees. Royalties and franchise fees from the Company's franchise operations were \$10,411,326, \$7,561,440 and \$6,949,192 for 2007, 2008 and 2009, respectively. Royalties and fees from franchise operations accounted for 90.0%, 83.7% and 92.1% of total revenue for 2007, 2008 and 2009, respectively. Other financial information about the Company's business, including revenue, profit and loss and total assets, is detailed in Item 8 - Financial Statements and Supplementary Data in this report.

Products & Systems

The Company sells and services franchises for non-traditional and stand-alone foodservice operations under the trade names "Noble Roman's Pizza", "Tuscano's Italian Style Subs", "Noble Roman's Bistro", "Noble Roman's Take-N-Bake" and "Tuscano's Grab-N-Go Subs". The Company believes the attributes of these

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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:

- 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.

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- 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 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

The Company has recently developed a take-n-bake version of its pizza as an addition to its menu offerings. The take-n-bake pizza is designed as an add-on component for new and existing convenience store franchisees, and as a stand-alone offering for grocery store chains. Since adding this component in late 2009, the Company has signed agreements for 87 grocery store locations to operate the take-n-bake pizza program. Grocery store chains that have signed agreements for certain of their grocery store locations to operate the take-n-bake pizza program will total 255 if those chains enter into agreements for the remainder of their grocery stores, as they have indicated they will do. However, there can be no assurance that they will add those additional agreements. The Company is also in discussions with several other grocery store chains. The Company expects the number of grocery store locations for take-n-bake to increase significantly over the next several months. The take-n-bake program has also been integrated into the operations of 29 existing convenience stores, generating significant add-on sales, and is now being offered to all convenience store franchisees. The take-n-bake program in grocery stores is being offered as a supply agreement rather than a franchise agreement. The Company uses the same high-quality pizza ingredients for its take-n-bake product as with its standard pizza, with slight modifications to

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portioning for increased home baking performance.

Tuscano's Italian Style Subs

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

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

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The Company has recently developed a grab-n-go service system for a limited portion of the Tuscano's menu. The grab-n-go system is designed to add sales opportunities at existing non-traditional Noble Roman's Pizza and/or Tuscano's Subs locations. The grab-n-go system has already been integrated into the operations of several existing locations, generating significant add-on sales. The system is now being made available to other existing franchisees.

The Company is now offering new, non-traditional franchisees the opportunity to open with both take-n-bake pizza and grab-n-go subs when they acquire a dual-branded franchise. Additionally, through changes in the menu, operating systems and equipment structure, the Company is now able to offer dual Noble Roman's Pizza and Tuscano's Subs franchises at a significantly reduced investment cost. The Company recently began promoting these enhancements for non-traditional locations, and has been demonstrating the dual-brand at a variety of trade shows in recent months.

Noble Roman's Bistro

Noble Roman's Bistro, introduced in October 2008, is an additional service system specifically designed for non-traditional venues such as convenience stores, entertainment facilities, universities, hospitals, bowling centers and other high traffic facilities. The Bistro incorporates all of the ingredient qualities described above for Noble Roman's Pizza, and retains simplicity by using largely ready-to-use ingredients that require only final assembly and baking on site. It features the SuperSlice pizza, one-fourth of a large pizza, along with hot entrees such as chicken parmesan, baked pastas, hot sub sandwiches, breadsticks and calzones plus fresh salads and snacks. The Bistro is also available with an optional breakfast expansion menu featuring a variety of standard breakfast favorites. Customers move along the food display counter and are served to order as they go. The Bistro was demonstrated at a trade show for parks and attractions in Branson, Missouri in October 2009 and at the IAAPA Show in Las Vegas in November 2009.

Business Strategy

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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, 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 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 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, its 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 it had been temporarily operating pending planned re-franchising. This substantially reduced the Company's requirements for overhead and operating cost for the foreseeable future. This change has also allowed for a more complete focus on selling and servicing franchises to pursue increased unit growth in non-traditional franchises.

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Enhance Product Offerings. To augment the Company's sales opportunities within non-traditional venues, it introduced the Noble Roman's Bistro service system in October 2008. As an addition to the other service systems offered in its Noble Roman's Pizza and Tuscano's Italian Style Subs concepts, the Bistro was designed to appeal to additional types of businesses and operational objectives with its fresh food display and serve-to-order serving system. Though presented or packaged differently, the substantial majority of the menu selections are comprised of ingredients already utilized in Noble Roman's Pizza and Tuscano's Italian Style Subs, thereby leveraging the Company's simple systems, distribution and purchasing power. In addition, in 2009, the Company developed a take-n-bake pizza as an addition to its menu offering. The take-n-bake pizza is designed as an add-on component for new and existing convenience store franchisees, and as a stand-alone offering for grocery store chains. The Company, since it started offering take-n-bake pizza to grocery store chains in September 2009, has signed agreements with 87 grocery store locations to operate the take-n-bake pizza program. Grocery store chains that have signed agreements for certain of their grocery store locations to operate the take-n-bake pizza program will total 255 if those chains enter into agreements for the remainder of their grocery stores, as they have indicated they will do. However, there can be no assurance that they will add those additional agreements. The Company is also in discussions with several other grocery store chains.

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

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Competition

The restaurant industry in general is very competitive with respect to convenience, price, product quality and service. In addition, the Company competes for franchise sales on the basis of product engineering and quality, investment cost, cost of sales, distribution, simplicity of operation and labor requirements. Actions by one or more of the Company's competitors could have an adverse effect on the Company's ability to sell additional franchises, maintain and renew existing franchises or sell its products through its franchise system. Many of the Company's competitors are very large, internationally established companies.

Within the competitive environment of the non-traditional franchise segment of the restaurant industry, management has defined what it believes to be certain competitive advantages for the Company. First, several of the Company's competitors in the non-traditional segment are also large chains operating thousands of franchised, traditional restaurants. Because of the contractual relationships with many of their franchisees, some competitors may be unable to offer wide-scale site availability for potential non-traditional franchisees. The Company is not faced with any significant geographic restrictions.

Several of the Company's competitors in the non-traditional segment were established with little or no organizational history in owning and operating traditional foodservice locations. This lack of operating experience may be a limitation for them in attracting and maintaining non-traditional franchisees who, by the nature of the segment, often have little exposure to foodservice operations themselves. The Company's background in traditional restaurant operations has provided it experience in structuring, planning, marketing, and cost controlling franchise unit operations which may be of material benefit to franchisees.

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Seasonality of Sales

Direct sales of non-traditional franchises may be affected by seasonalities and holiday periods. Franchise sales to certain non-traditional venues may be slower around major holidays such as Thanksgiving and Christmas, and during the first quarter of the year. Franchise sales to other non-traditional venues show less or no seasonality. Additionally, in middle and northern climates where adverse winter weather conditions may hamper outdoor travel or activities, foodservice sales by franchisees may be sensitive to sudden drops in temperature or precipitation which would in turn affect Company royalties.

Employees

As of March 8, 2010, the Company employed approximately 23 persons full-time and 15 persons on a part-time, hourly basis. No employees are covered under collective bargaining agreements, and the Company believes that relations with its employees are good.

Trademarks and Service Marks

The Company owns and protects several trademarks and service marks. Many of these, including NOBLE ROMAN'S (R), Noble Roman's Pizza(R), THE BETTER PIZZA PEOPLE (R) and Tuscano's Italian Style Subs(R) are registered with the U.S.

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Patent and Trademark Office as well as with the corresponding agencies of certain other foreign governments. The Company believes that its trademarks and service marks have significant value and are important to its sales and marketing efforts.

Government Regulation

The Company and its franchisees are subject to various federal, state and local laws affecting the operation of our respective businesses. Each franchise location is subject to licensing and regulation by a number of governmental authorities, which include health, safety, sanitation, building and other agencies and ordinances in the state or municipality in which the facility is located. The process of obtaining and maintaining required licenses or approvals can delay or prevent the opening of a franchise location. Vendors, such as our third party production and distribution services, are also licensed and subject to regulation by state and local health and fire codes, and U. S. Department of Transportation regulations. The Company, its franchisees and its vendors are also subject to federal and state environmental regulations.

The Company is subject to regulation by the Federal Trade Commission ("FTC") and various state agencies pursuant to federal and state laws regulating the offer and sale of franchises. Several states also regulate aspects of the franchisor-franchisee relationship. The FTC requires us to furnish to prospective franchisees a disclosure document containing certain specified information. Some states also regulate the sale of franchises and require registration of a franchise disclosure document with state authorities. Substantive state laws that regulate the franchisor-franchisee relationship presently exist in a substantial number of states, and bills have been introduced in Congress from time to time that would provide for additional federal regulation of the franchisor-franchisee relationship in certain respects. State laws often limit, among other things, the duration and scope of non-competition provisions and the ability of a franchisor to terminate or refuse to renew a franchise. Some foreign countries also have disclosure requirements and other laws regulating franchising and the franchisor-franchisee relationship, and the Company would be subject to applicable laws in each jurisdiction where it seeks to market additional franchised units.

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Available Information

We make available, free of charge through our Internet website (<http://www.nobleromans.com>), our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file these reports with, or furnish them to, the Securities and Exchange Commission. The information on our website is not incorporated into this annual report.

ITEM 1A. RISK FACTORS

All phases of the Company's operations are subject to a number of uncertainties, risks and other influences, many of which are outside of its control and any one of which, or a combination of which, could materially affect its results of operations. Important factors that could cause actual results to differ materially from the Company's expectations are discussed below. Prospective investors should carefully consider these factors before investing in our

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securities as well as the information set forth under "Forward-Looking Statements" in Item 7 of this report. These risks and uncertainties include:

Competition from larger companies.

The Company competes for franchise sales with large national companies and numerous regional and local companies. Many of its competitors have greater financial and other resources than the Company. The restaurant industry in general is intensely competitive with respect to convenience, price, product quality and service. In addition, the Company competes for franchise sales on the basis of several factors, including product engineering and quality, investment cost, cost of sales, distribution, simplicity of operation and labor requirements. Activities of the Company's competitors could have an adverse effect on the Company's ability to sell additional franchises or maintain and renew existing franchises or operating results of the Company's franchise system. As a result of these factors, the Company may have difficulty competing effectively from time to time or in certain markets.

Dependence on growth strategy.

The Company's primary growth strategy consists of selling new franchises for non-traditional locations. The opening and success of new non-traditional locations will depend upon various factors, including the traffic generated by and viability of the underlying activity or business, the ability of the franchisee to operate the franchised location, their ability to comply with applicable regulatory requirements and the effect of competition and general economic and business conditions including food and labor costs. Many of the foregoing factors are not within the Company's control. There can be no assurance that the Company will be able to achieve its plans with respect to the opening or operation of new non-traditional locations.

Dependence on success of franchisees.

A significant portion of the Company's earnings comes from royalties generated by its franchisees. Franchisees are independent operators, and their employees are not the Company's employees. The Company provides training and support to franchisees, but the quality of franchise store operations may be diminished by

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any number of factors beyond the Company's control. Consequently, franchisees may not successfully operate stores in a manner consistent with the Company's standards and requirements, or may not hire and train qualified managers and other store personnel. If they do not, the Company's image and reputation may suffer, and its revenues and stock price could decline. While the Company attempts to ensure that its franchisees maintain the quality of its brand and branded products, franchisees may take actions that adversely affect the value of the Company's intellectual property or reputation.

Dependence on consumer preferences and perceptions.

The restaurant industry is often affected by changes in consumer tastes, national, regional and local economic conditions, demographic trends, traffic patterns and the type, number and location of competing restaurants. The Company can be substantially adversely affected by publicity resulting from food quality, illness, injury, or other health concerns or operating issues stemming from one restaurant or a limited number of restaurants.

Interruptions in supply or delivery of fresh food products.

Dependence on frequent deliveries of fresh product from unrelated third-party

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manufacturers through unrelated third-party distributors also subjects the Company to the risk that shortages or interruptions in supply caused by inclement weather or other conditions could adversely affect the availability, quality and cost of ingredients. In addition, factors such as inflation, market conditions for cheese, wheat, meats, paper and labor may also adversely affect the franchisees and, as a result, can adversely affect the Company's ability to add new franchised restaurants.

Dependence on key executives.

The Company's business has been and will continue to be dependent upon the efforts and abilities of certain members of its management, particularly Paul Mobley, our Chairman, Chief Executive Officer and Chief Financial Officer, and A. Scott Mobley, our President and Chief Operating Officer. The loss of either of their services could have a material adverse effect on the Company.

The Company is subject to ongoing litigation.

As described in Item 3 of this report, the Company is a defendant in a lawsuit filed by certain of its former traditional franchisees. The plaintiffs in this lawsuit allege that they purchased traditional franchises from the Company as a result of certain fraudulent representations by the defendants in the case and the omission of certain material facts regarding the franchises. If the Company is subject to adverse findings in this litigation, it could be required to pay damages or have other remedies imposed, which could have a material adverse effect on the Company. The resolution of this matter could also be time-consuming, expensive and distract the Company's management from the conduct of the Company's business. Although the Company believes that it has strong and meritorious legal and factual defenses to these claims and will vigorously defend its interest in the case and the Court has granted the Company's motion to dismiss several claims, there is no assurance the Company will prevail.

The Company is subject to Indiana law with regard to purchases of our stock.

Certain provisions of Indiana law applicable to the Company could have the effect of making it more difficult for a third party to acquire, or of

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discouraging a third party from attempting to acquire, control of the Company. Such provisions could also limit the price that certain investors might be willing to pay in the future for shares of its common stock. These provisions include prohibitions against certain business combinations with persons that become "interested shareholders" (persons owning or controlling shares with voting power equal to 10% or more) unless the board of directors approves either the business combination or the acquisition of stock before the person becomes an "interested shareholder."

The Company and its franchisees are subject to various federal, state and local laws with regard to the operation of the businesses.

The Company is subject to regulation by the FTC and various state agencies pursuant to federal and state laws regulating the offer and sale of franchises. Several states also regulate aspects of the franchisor-franchisee relationship. The FTC requires the Company to furnish to prospective franchisees a disclosure document containing certain specified information. Some states also regulate the sale of franchises and require registration of a franchise disclosure document with state authorities. Substantive state laws that regulate the franchisor-franchisee relationship presently exist in a substantial number of states, and bills have been introduced in Congress from time to time that would provide for federal regulation of the franchisor-franchisee relationship in

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certain respects. The state laws often limit, among other things, the duration and scope of non-competition provisions and the ability of a franchisor to terminate or refuse to renew a franchise. Some foreign countries also have disclosure requirements and other laws regulating franchising and the franchisor-franchisee relationship, and the Company would be subject to applicable laws in each jurisdiction where it seeks to market additional franchise units.

Each franchise location is subject to licensing and regulation by a number of governmental authorities, which include health, safety, sanitation, building and other agencies and ordinances in the state or municipality in which the facility is located. The process of obtaining and maintaining required licenses or approvals can delay or prevent the opening of a franchise location. Vendors, such as the Company's third party production and distribution services, are also licensed and subject to regulation by state and local health and fire codes, and U. S. Department of Transportation regulations. The Company, its franchisees and its vendors are also subject to federal and state environmental regulations.

The Company's stock is quoted on the OTC Bulletin Board and, accordingly, we are not subject to the same corporate governance standards that would apply if our shares were listed on a national exchange, which limits the liquidity and price of our securities more than if our securities were quoted or listed on a national exchange.

Our stock is quoted on the OTC Bulletin Board, a Nasdaq-sponsored and operated inter-dealer automated quotation system for equity securities not included on the Nasdaq Stock Market. We are not subject to the same corporate governance requirements that apply to exchange-listed companies. These requirements include having: a majority of independent directors; an audit committee of independent directors; and shareholder approval of certain equity compensation plans. As a result, quotation of our stock on the OTC Bulletin Board limits the liquidity and price of our stock more than if our stock was quoted or listed on a national exchange. There is no assurance that the Company's stock will continue to be authorized for quotation by the OTC Bulletin Board or any other market in the future.

Compliance with external assurance requirements of the Sarbanes-Oxley Act of 2002 will require substantial financial and management resources.

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The Company is not now required to comply with the external assurance requirements of Section 404 of the Sarbanes-Oxley Act of 2002. Section 404 requires us to evaluate and report on our system of internal controls over financial reporting, however, the Company is not currently required to have its independent registered public accountants report on management's evaluation of our system of internal controls or certify its compliance with the rules related to its system of internal controls. If we fail to maintain the adequacy of our internal controls, we could be subject to various sanctions. Any inability to provide reliable financial reports could harm our business. Any failure to implement required new or improved controls, or difficulties encountered in the implementation of adequate controls over our financial processes and reporting in the future, could adversely affect our operating results or cause us to fail to meet our reporting obligations. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

The Company's headquarters are located in 7,600 square feet of leased office space in Indianapolis, Indiana. The lease for this property expires in March 2015.

The Company also leases space for the Company-owned dual-branded restaurant in Indianapolis, Indiana which is used as a demonstration and test restaurant. The lease for this property expires December 31, 2010. The Company has the option to extend the term of this lease for two additional five-year periods.

The Company leases space for operating an additional dual-branded restaurant in Indianapolis, Indiana. The lease for this property expires December 5, 2010. The Company has the option to extend the term of this lease for two additional five-year periods. This lease also provides for the Company to assign the lease to a franchisee when it is franchised.

ITEM 3. LEGAL PROCEEDINGS

The Company, from time to time, is involved in various litigation relating to claims arising out of its normal business operations.

The Company is a Defendant in a lawsuit styled Kari Heyser, Fred Eric Heyser and Meck Enterprises, LLC, et al v. Noble Roman's, Inc. et al, filed in Superior Court in Hamilton County, Indiana on June 19, 2008. The Plaintiffs are former franchisees of the Company's traditional location venue. In addition to the Company, the Defendants include certain of the Company's officers. Lenders to certain of the Plaintiffs were also named as Defendants, but the Court dismissed the claims against them. The Plaintiffs allege that the Defendants induced them to purchase traditional franchises through fraudulent representations and omissions of material facts regarding the franchises, and seek compensatory and punitive damages. In the complaint, the Plaintiffs claimed damages in the aggregate in the amount of \$6.8 million and in some cases requested punitive damages, court costs and/or prejudgment interest. Discovery is in progress, but has not yet been completed. Defendants filed the First Request for Production of

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Documents in February 2009 and certain Plaintiffs produced some documents requested by the Company. However, many of the Plaintiffs produced no documents and the Company, in July 2009, filed a Motion to Compel the production against the Plaintiffs. In September 2009 the Judge entered a Stipulated Order on the Motion to Compel stating that all Plaintiffs in this litigation were ordered to: (1) fully and completely and without objection or evasion, file written responses to the Company's Request by September 30, 2009 demonstrating what documents and things exists which are responsive to the Request and (2) fully and completely without objection or evasion, produce all documents and things that are responsive to the Request by October 15, 2009. The Company believes that the written responses submitted by the Plaintiffs do not comply with the Order. Further, many of the Plaintiffs have not submitted any documents and most of the others have not fully complied with the Order to Compel.

The Company filed a Counter-Claim for Damages against all of the Plaintiffs and moved to obtain Preliminary and Permanent Injunctions against a majority of the Plaintiffs to remedy the Plaintiffs' continuing breaches of the applicable franchise agreements. The Company's Motion for Preliminary Injunction was granted in October 2008. The Company has asserted that none of the preliminarily enjoined Plaintiffs fully complied with the Court's Order and that several of

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them only minimally complied. Accordingly, the Company filed a Motion to Require Full Compliance and To Show Cause why they should not be held in contempt and for attorney's fees as sanctions.

The Company filed a Motion to Revoke the Temporary Admission Pro Hac Vice of David M. Duree, Plaintiffs' former counsel, for filing fraudulent affidavits with the Court. The Court granted this motion in March 2009. In the same ruling the Court: continued the Motion to Show Cause to allow parties time to conduct discovery, including depositions on the preliminarily enjoined Plaintiffs, on that issue; granted preliminary injunctions against Plaintiffs Gomes and Villasenor; dismissed claims against CIT Small Business Lending Corporation and PNC Bank with prejudice; and struck the fraudulent affidavits. New counsel for Plaintiffs entered his appearance in the case on behalf of the Plaintiffs in May 2009.

The Company also filed a Motion for Partial Summary Judgment as to several claims in the Complaint, which the Judge granted on September 22, 2009. On October 8, 2009 Plaintiffs filed a Motion to Correct Error, Reconsider And Vacate Order; Request For Clarification; Alternatively, Motion For Certification Of Appeal Of Interlocutory Order And For Stay Of Proceeding Pending Appeal. On January 12, 2010, the Court denied Plaintiffs' Motion and, in the same Order the Court denied Plaintiffs' Motion for Certification of Appeal of Interlocutory Order and for Stay of Proceedings Pending Appeal. Further, the Court denied Plaintiffs' request to amend their Complaint. In a January 15, 2010 Telephonic Status Conference regarding scheduling and other matters between the Judge, Plaintiffs' counsel and Defendants' counsel, the Plaintiffs' counsel orally requested that the Court reconsider its January 12, 2010 rulings described above concerning whether constructive fraud can be plead. Counsel for the Plaintiffs further requested that if the Court does not grant leave to amend the Complaint he would request the Court to certify such Order for an Interlocutory Appeal. In a February 2, 2010 ruling, the Court reaffirmed the Order of January 12, 2010 denying Plaintiffs' Motion to Correct Error, Reconsider And Vacate Order; Request For Clarification; Alternatively, Motion For Certification Of Appeal Of Interlocutory Order And For Stay Of Proceeding Pending Appeal. Furthermore, the Order of February 2, 2010 stated the following: "Finally, the Court does now find that there is no just reason for delay and the Court does now expressly enter Final Judgment as to the issues of whether or not the Plaintiffs included in the Amended Complaint the theory of constructive fraud and that the Plaintiffs may not have leave to file an Amended Complaint to include such theory." On February 11, 2010, counsel for the Plaintiffs filed a Notice of

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Appeal with the Indiana Court of Appeals. Defendants' Counsel is preparing a motion to dismiss the appeal based on lack of jurisdiction.

On December 2, 2009, Plaintiffs filed a Motion for Extensions, Sanctions and Other Relief claiming, in part, that the Defendants' claim against Plaintiffs' counsel in Small Claims Court for reimbursement of fees and other expenses was improper. In the Order of January 12, 2010, the Court granted Plaintiffs' Request for Extensions, denied Plaintiffs' Request for Sanctions and Other Relief, and ruled that Defendants' claim in Small Claims Court against Plaintiffs' counsel was appropriate.

To date, 11 of the 14 Plaintiff groups have been deposed. The Company continues to attempt to schedule the remaining Plaintiffs for depositions. On September 29, 2009, Defendants filed a Motion to Reopen Plaintiff Dunn's Deposition and require him to come to Indianapolis and resume his deposition at the Plaintiff's expense claiming that Plaintiffs' counsel wrongly interrupted a proper line of questioning and prematurely ended the deposition. In the Court's Order of January 12, 2010, Defendants' Motion was granted and Dunn was ordered to come to

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Indianapolis to continue his deposition and further ordered that any privilege regarding Mr. Dunn's communications with his son, an attorney, concerning his son's review, recommendations and opinions about Noble Roman's franchise documents has been waived and no further objection may be offered regarding those topics. The continuation of Dunn's deposition was held on March 11, 2010. On October 16, 2009, Defendants filed a motion to require Plaintiff Heyser to travel to Indianapolis for her deposition as a result of her deposition, which had been previously agreed to, being canceled at her request and agreeing, through counsel, to come to Indianapolis at a later date for the deposition. Many days later Plaintiffs' counsel denied that agreement even though it had been confirmed by email. In the Order of January 12, 2010, Defendants' Motion to Compel Plaintiff Kari Heyser to attend a deposition in Indianapolis was granted. Ms. Heyser's deposition was taken in Indianapolis on March 8, 2010. Plaintiffs Villasenors were scheduled for deposition in El Centro, California on January 20, 2010, however, even though Defendants' Counsel was present in El Centro for the deposition, the Villasenors did not appear for deposition. As a result, by agreement of counsels, those depositions are to be taken in Indianapolis, Indiana and are in the process of being rescheduled in March 2010. Plaintiffs' counsel has been unable to obtain a schedule for depositions of Plaintiffs Morris and Plaintiffs Soltero and filed a motion with the court to withdraw representation of those Plaintiffs.

The Defendants were scheduled for depositions by Plaintiffs' counsel during the week of November 9, 2009, however, Plaintiffs' counsel canceled those depositions. Defendants had been rescheduled for depositions during the week of March 15, 2010, however, on March 12, 2010, Plaintiffs' counsel canceled those scheduled depositions.

Defendants filed Motions for Summary Judgment as to Plaintiff Brintle on November 6, 2009 and Plaintiff Clark on November 25, 2009, as a result of their testimony at depositions. The Defendants are in the process of preparing motions for Summary Judgment against all of the other Plaintiffs whose depositions have been taken. In the Judge's Order of February 2, 2010, the Judge set a deadline of April 30, 2010 for filing of all remaining Motions for Summary Judgment, a deadline of June 4, 2010 for Plaintiffs' Response to all of the Summary Judgment Motions and a deadline of June 18, 2010 for Defendants' Reply to Responses.

Although there can be no assurance regarding the outcome of litigation, the Company believes that it has strong and meritorious legal and factual defenses to these claims and viable counter claims against the Plaintiffs and will vigorously defend its interests in this case and to pursue the counter claims.

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

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ITEM 4. [Removed and Reserved]

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company's common stock is included on the Nasdaq "OTC Bulletin Board" and trades under the symbol "NROM."

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The following table sets forth for the periods indicated, the high and low bid prices per share of common stock as reported by Nasdaq. The quotations reflect inter-dealer prices without retail mark-up, mark-down or commissions and may not represent actual transactions.

Quarter Ended:	2008		2009	
	High	Low	High	Low
March 31	\$ 1.35	\$ 1.21	\$.55	\$.36
June 30	\$ 1.30	\$ 1.15	\$.72	\$.34
September 30	\$.79	\$.67	\$.70	\$.50
December 31	\$.38	\$.35	\$.89	\$.56

----- Holders of Record

As of March 5, 2010, there were approximately 300 holders of record of the Company's common stock. This excludes persons whose shares are held of record by a bank, brokerage house or clearing agency.

----- Dividends

The Company has never declared or paid dividends on its common stock. The Company's current loan agreement, as described in Note 3 to the Company's consolidated financial statements, prohibits the payment of dividends.

----- Sale of Unregistered Securities

None.

----- Equity Compensation Plan Information

The following table provides information as of December 31, 2009 with respect to the shares of our common stock that may be issued under our existing equity compensation plan.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of shares of common stock remaining under the plan as of December 31, 2009
Equity compensation plans approved by stockholders	--	\$ --	
Equity compensation plans not approved by stockholders	630,250	\$.64	

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Total	630,250	\$.64

- (1) The Company may grant additional options under the employee stock option plan. There is no maximum number of shares available for issuance under the employee stock option plan.

The Company maintains an employee stock option plan for its employees and officers. Any employees or officers of the Company are eligible to be awarded options under the plan. The employee stock option plan provides that any options issued pursuant to the plan will have a three-year vesting period and will expire ten years after the date of grant. Awards under the plan are periodically made at the recommendation of the Chairman/CEO and President and approved by the Board of Directors. The employee stock option plan does not have a limit on the number of shares that may be issued under the plan.

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ITEM 6. SELECTED FINANCIAL DATA

(In thousands except per share data)

	Year Ended December 31,			
	2005	2006	2007	2008
Statement of Operations Data:	-----	-----	-----	-----
Royalties and fees	\$ 7,270	\$ 8,084	\$ 10,411	\$ 7,562
Administrative fees and other	72	63	68	48
Restaurant revenue	1,089	1,340	1,088	1,432
	-----	-----	-----	-----
Total revenue	8,431	9,487	11,567	9,042
Operating expenses	2,627	2,921	4,371	3,184
Restaurant operating expenses	1,059	1,284	1,011	1,369
Depreciation and amortization	70	84	97	92
General and administrative	1,491	1,550	1,680	1,625
	-----	-----	-----	-----
Operating income	3,184	3,648	4,408	2,772
Interest and other	817	776	651	616
Other income	2,801	--	--	--
	-----	-----	-----	-----
Income before income taxes from continuing operations	5,168	2,872	3,757	2,156
Income taxes	1,757	976	1,268	733
	-----	-----	-----	-----
Net income from continuing operations	3,411	1,896	2,489	1,423
Loss from discontinued operations	(560)	--	--	(3,824)
	-----	-----	-----	-----
Net income (loss)	\$ 2,851	\$ 1,896	\$ 2,489	\$ (2,401)

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Cumulative preferred dividends	16	163	127	66	
	-----	-----	-----	-----	
Net income (loss) available to common stockholders	\$ 2,835	\$ 1,733	\$ 2,361	\$ (2,467)	\$
	=====	=====	=====	=====	
Weighted average number of common shares	16,849	16,406	17,676	19,213	
Net income from continuing operations	\$.17	\$.12	\$.14	\$.07	\$
Net income (loss) per share	.17	.12	.14	(.13)	
Net income (loss) available to common stockholders	\$.17	\$.11	\$.13	\$ (.13)	\$

Balance Sheet Data (at year end):

Working capital	\$ 2,793	\$ 3,423	\$ 3,806	\$ 551	\$
Total assets	15,523	16,138	17,469	17,278	
Long-term obligations, net of current portion .	7,125	5,625	4,125	5,625	
Stockholders' equity	\$ 6,513	\$ 8,617	\$ 11,312	\$ 8,962	\$

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The Company sells and services franchises for non-traditional, co-branded 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 Pizza" and "Tuscano's Grab-N-Go Subs". We believe the attributes of our franchise include high quality products, simple operating systems, labor-minimizing operations, attractive food costs and overall affordability.

There were 829 franchised outlets in operation on December 31, 2008 and 834 on December 31, 2009. During that twelve-month period there were 96 new franchised outlets opened and 91 franchised outlets left the system, 35 of which reached

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the end of their franchise agreement term and 56 of which ceased operation for other reasons.

As discussed in Note 1 to the Company's financial statements, the Company uses significant estimates in evaluating such items as notes and accounts receivable to reflect the actual amount expected to be collected for total receivables. At December 31, 2008 and 2009, the Company reported net accounts and notes receivable of \$1.463 million and \$2.137 million, respectively, which was net of an allowance to reflect the amount the Company expects to realize for the receivables. The Company has reviewed each of its accounts and notes receivable and only included receivables in the amount expected to be collected. The Company has provided an accrual for estimated future expense related to its discontinued operations in the amount of \$722 thousand as of December 31, 2008 and \$186 thousand as of December 31, 2009, which was primarily to provide for future legal expenses for the litigation described in Legal Proceedings of this report which involves the discontinued operations of the Company. The Company, at December 31, 2008 and December 31, 2009, had a deferred tax asset on its balance sheet totaling \$12.853 million and \$11.754 million, respectively. After reviewing expected results from the Company's current business plan, the Company believes it is more likely than not that the deferred tax assets will be utilized prior to their expiration, most of which expire between 2012 and 2028.

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Financial Summary

The preparation of the consolidated financial statements in conformity with United States 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 evaluates the carrying values of its assets, including property, equipment and related costs, accounts receivable and deferred tax asset, periodically 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 values. If any impairment of an individual asset is evident, a charge will be provided to reduce the carrying value to its estimated fair value.

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Condensed Consolidated Statement of Operations Data Noble Roman's, Inc. and Subsidiaries

	Years Ended December 31,					
	2007		2008		2009	
	----		----		----	
Royalties and fees	\$10,411,326	90.0%	\$ 7,561,440	83.7%	\$ 6,949,192	92.0%
Administrative fees and other	67,467	.6	48,084	.5	63,503	.7
Restaurant revenue	1,088,022	9.4	1,432,435	15.8	536,885	7.3
	-----		-----		-----	
Total revenue	11,566,815	100.0	9,041,959	100.0	7,549,580	100.0
Franchise-related operating expenses:						
Salaries and wages	1,642,529	14.2	1,366,861	15.1	1,057,675	14.0
Trade show expense	554,574	4.8	488,012	5.4	309,827	4.1
Travel expense	527,455	4.6	386,018	4.3	134,350	1.8
Sales commissions	621,928	5.4	62,960	.7	3,627	.0
Other operating expense	1,024,399	8.9	880,464	9.7	741,749	9.8
Restaurant expenses	1,011,146	8.7	1,369,139	15.2	496,614	6.6
Depreciation	96,682	.8	91,736	1.0	78,777	1.0
General and administrative	1,680,284	14.5	1,624,022	18.0	1,485,356	19.7
	-----		-----		-----	
Operating income	4,407,818	38.1	2,772,747	30.6	3,241,605	43.0
Interest and other expense	650,802	5.6	616,333	6.8	466,944	6.2
	-----		-----		-----	
Income before income taxes	3,757,016	32.5	2,156,414	23.8	2,774,661	36.8
Income taxes	1,268,489	11.0	733,180	8.1	1,099,044	14.6
	-----		-----		-----	
Net income from continuing operations	\$ 2,488,527	21.5%	\$ 1,423,234	15.7%	\$ 1,675,617	22.2%

2009 Compared with 2008

Total revenue decreased from \$9.0 million in 2008 to \$7.5 million in 2009 even though royalty and fee income, less initial franchise fees, area development fees and equipment commissions was approximately \$6.7 million in both 2008 and 2009. The decrease in royalties and fees was primarily a result of selling fewer franchises, less equipment commissions and less area development agreements, all of which were impacted by the recent recession and crisis in the financial markets and the Company's decision to focus all of its sales efforts on the sale of non-traditional franchises. Royalties and fees decreased from approximately \$7.6 million in 2008 to approximately \$6.9 million in 2009. Included in royalties and fees were approximately \$353,500 in 2008 and \$203,450 in 2009 for initial franchise fees. In addition, royalties and fees included approximately \$104,825 in 2008 and none in 2009, for the sale of area development agreements. Also included in royalties and fees were approximately \$397,200 in 2008 and approximately \$38,509 in 2009, for equipment commissions.

Restaurant revenues decreased from \$1.4 million in 2008 to \$537 thousand in 2009. The Company only operates two restaurants for testing and demonstration purposes but from time to time did temporarily operate others until a suitable franchisee was located. As of December 2008, the Company made a decision to no longer temporarily operate restaurants.

Salaries and wages decreased from 15.1% of revenue in 2008 to 14.0% of revenue in 2009. This decrease was primarily the result of the Company reducing operating expenses in light of slower growth in the number of franchised units. Actual salaries and wages decreased from \$1.37 million in 2008 to \$1.06 million in 2009.

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Trade show expenses decreased from 5.4% of revenue in 2008 to 4.1% of revenue in 2009. The decrease was primarily the result of a decrease in the number of trade shows attended partially offset by fewer initial franchise fees and equipment commissions. Actual trade show expenses decreased from \$488 thousand in 2008 to \$310 thousand in 2009. This expense is anticipated to increase somewhat in 2010 as we have added grocery store trade shows to the events that we will be attending.

Travel expenses decreased from 4.3% of revenue in 2008 to 1.8% of revenue in 2009. This decrease was primarily the result of having fewer supervisors and trainers because of opening fewer new restaurants which was partially offset by the decrease in fewer initial franchise fees and equipment commissions. The Company anticipates that the trend toward lower travel expenses will continue in 2010.

Sales commission expense decreased from .7% of revenue in 2008 to 0% of revenue in 2009. This decrease was primarily the result of selling no area development agreements and fewer initial franchise fees in 2009 compared to 2008.

Other operating expenses increased from 9.7% of revenue in 2008 to 9.8% of revenue in 2009. This increase was primarily the result of fewer initial franchise fees and equipment commissions. Actual other operating expenses decreased from approximately \$880 thousand in 2008 to \$742 thousand in 2009. This decrease was primarily due to the reduction of expenses related to staff reductions.

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Restaurant expenses decreased from 15.2% of revenue in 2008 to 6.6% of revenue in 2009. This decrease was the result of the Company operating fewer restaurants in 2009 and discontinuing operating restaurants on a temporary basis in 2008 and partially offset by the decrease in initial franchise fees and equipment commissions. The Company now only operates two restaurants for testing and demonstration purposes but did temporarily operate others until a franchisee was located, which practice has been discontinued.

General and administrative expenses increased from 18.0% of revenue in 2008 to 19.7% of revenue in 2009. This increase was a result of the decrease in initial franchise fees and equipment commissions. Actual general and administrative expenses were \$1.624 million in 2008 and \$1.485 million in 2009. The Company does not anticipate any material change in general and administrative expenses in 2010.

Operating income increased from \$2.8 million in 2008 to \$3.2 million in 2009. This was primarily the result of reduced operating expenses partially offset by fewer initial franchise fees and equipment commissions.

Interest expense decreased from 6.8% of revenue in 2008 to 6.2% of revenue in 2009. This was a result of a decrease in interest expenses partially offset by fewer initial franchise fees and equipment commissions. Actual interest expense was approximately \$616 thousand in 2008 compared to \$467 thousand in 2009 due to a decrease in average outstanding borrowings. The actual loan balance decreased by \$1.5 million during 2009.

Net income from continuing operations increased from \$1.4 million in 2008 to \$1.7 million in 2009. This increase was primarily the result of reduced operating expenses partially offset by fewer initial franchise fees and equipment commissions.

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Net income per share from continuing operations increased from \$.07 per share on 19.2 million weighted average shares outstanding in 2008 to \$.09 per share on 19.4 million weighted average shares outstanding in 2009. The diluted net income per share from continuing operations increased from \$.07 per share on 20.1 million weighted average shares outstanding in 2008 to \$.08 per share on 20.0 million weighted average shares outstanding in 2009.

Loss on discontinued operations was \$3.8 million in 2008 and none in 2009. The loss on discontinued operations was primarily the result of operating traditional restaurants which had been acquired from struggling franchisees and later sold to new franchisees. Noble Roman's made the decision in late 2008 to discontinue that business and charged off or dramatically lowered the carrying value of all receivables related to the traditional restaurants and accrued future estimated related expenses.

2008 Compared with 2007

Total revenue decreased from \$11.6 million in 2007 to \$9.0 million in 2008. This decrease was primarily due to a decrease in royalties and fees as a result of selling fewer franchises, less equipment commissions and less area development agreements. Royalties and fees decreased from approximately \$10.4 million in 2007 to approximately \$7.6 million in 2008. Included in royalties and fees were approximately \$1,221,500 in 2007 and \$353,500 in 2008 for initial franchise fees. In addition, royalties and fees included approximately \$1,537,700 in 2007 and \$104,825 in 2008, for the sale of area development agreements. Also included in royalties and fees were approximately \$891,300 in 2007 and approximately

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\$397,200 in 2008, for equipment commissions. Royalty and fee income, less initial franchise fees, area development fees and equipment commissions, were \$6.8 million in 2007 and \$6.7 million in 2008.

Restaurant revenues increased from \$1.1 million in 2007 to \$1.4 million in 2008. Although, as of December 31, 2008, the Company was operating only the two restaurants, it operated more restaurants on a temporary basis during 2008 than 2007.

Salaries and wages increased from 14.2% of revenue in 2007 to 15.1% of revenue in 2008. This increase was primarily the result of the decrease in revenue. Actual salaries and wages decreased from \$1.64 million in 2007 to \$1.37 million in 2008.

Trade show expenses increased from 4.8% of revenue in 2007 to 5.4% of revenue in 2008. The increase was primarily the result of the decrease in revenue. Actual trade show expenses decreased from \$555 thousand in 2007 to \$488 thousand in 2008.

Travel expenses decreased from 4.6% of revenue in 2007 to 4.3% of revenue in 2008. This decrease was primarily the result of having fewer supervisors and trainers because of opening fewer new restaurants which was offset by the decrease in revenue.

Sales commission expense decreased from 5.4% of revenue in 2007 to .7% of revenue in 2008. This decrease was primarily the result of selling fewer area development agreements and fewer franchise agreements in 2008 compared to 2007.

Other operating expenses increased from 8.9% of revenue in 2007 to 9.7% of revenue in 2008. This increase was primarily the result of the decrease in revenue. Other operating expenses decreased from \$1.024 million in 2007 to \$880 thousand in 2008. This decrease was primarily due to the reduction of expenses related to staff reductions.

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Restaurant expenses increased from 8.7% of revenue in 2007 to 15.2% of revenue in 2008. This increase was primarily the result of the Company operating more restaurants on a temporary basis in 2008 and the decrease in royalty and fee revenue. Although, as of December 31, 2008, the Company only operated the two restaurants, it operated more restaurants on a temporary basis during 2008 than 2007.

General and administrative expenses increased from 14.5% of revenue in 2007 to 18.0% of revenue in 2008. This increase was a result of the decrease in revenue. General and administrative expenses were \$1.680 million in 2007 and \$1.624 million in 2008.

Operating income decreased from \$4.4 million in 2007 to \$2.8 million in 2008. This was primarily the result of the decrease in royalty and fee revenue as a result of selling fewer franchises, less equipment commissions and less area development agreements partially offset by a decrease in operating expenses.

Interest expense increased from 5.6% of revenue in 2007 to 6.8% of revenue in 2008. This was a result of the decrease in revenue. Actual interest expense was approximately \$651 thousand in 2007 compared to \$616 thousand in 2008. The actual loan balance was higher in 2008 than 2007 but was more than offset by a lower interest rate.

Net income from continuing operations decreased from \$2.5 million in 2007 to \$1.4 million in 2008. This decrease was primarily the result of the decrease in

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revenue partially offset by a decrease in operating expenses.

Net income per share from continuing operations decreased from \$.14 per share on 17.7 million weighted average shares outstanding in 2007 to \$.07 per share on 19 million weighted average shares outstanding in 2008. The diluted net income per share from continuing operations decreased from \$.13 per share on 19.0 million weighted average shares outstanding in 2007 to \$.07 per share on 20 million weighted average shares outstanding in 2008.

Loss on discontinued operations was \$3.8 million in 2008. The Company reported no discontinued operations in 2007. The loss on discontinued operations was primarily the result of operating traditional restaurants which had been acquired from struggling franchisees and later sold to new franchisees. Noble Roman's made the decision in late 2008 to discontinue that business and charged off or dramatically lowered the carrying value of all receivables related to the traditional restaurants and accrued future estimated expenses related thereto.

Impact of Inflation

The primary inflation factors affecting the Company's operations are food and labor costs to the franchisee. The Company was affected in 2008 by the dramatic increase in commodity prices, primarily cheese and meats, which negatively affected its franchisees' food costs. The commodity prices returned to a more normal level during the latter part of 2008 and the continued through 2009. The competition for labor has resulted in higher salaries and wages for the franchisees, however, that effect is mitigated by the relatively low labor requirements of the Company's franchise concepts.

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Liquidity and Capital Resources

The Company's current strategy is to grow its business by concentrating largely on franchising new non-traditional locations and by licensing additional locations to sell its take-n-bake pizza. The Company increased its focus on selling additional franchises for non-traditional locations and created the Noble Roman's Bistro service system to help broaden the appeal to additional types of locations and operations. The Company developed a take-n-bake pizza as an addition to its menu offerings to accelerate non-traditional unit growth. The take-n-bake pizza is designed as an add-on component for new and existing convenience store franchises, and as a stand-alone offering for grocery store chains. In addition, the Company has discontinued operating any restaurants except for the two locations the Company operates for testing and demonstration purposes. This change has allowed the Company to reduce operating expenses and overhead. This strategy does not require significant capital investments.

The Company's current ratio increased from 1.2-to-1 to 1.8-to-1 from December 31, 2008 to December 31, 2009 due to profitable operations.

The net cash provided by operating activities was \$2.1 million for 2009 and \$582 thousand for 2008. The increase in net cash provided by operating activities was primarily the result of the increase in the Company's net income patially offset by increases in accounts and notes receivable and other assets in 2009 as compared to 2008. Net cash used in financial activities was \$2.2 million in 2009 and \$945 thousand for 2008. This increase was primarily the result of no additional borrowings in 2009 and the Company did receive proceeds of \$2.96 million in 2008 from an amendment to the Company's loan agreement with Wells Fargo, this affect was partially offset by the decrease in payments of obligations from discontinued operations from 2008 to 2009.

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

In February 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 entered into in August 2005, between the Company and Wells Fargo (the "Loan Agreement"). 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.

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 Loan Agreement, as amended by the Amendment (approximately \$2.625 million as of March 1, 2010), 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.

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Contractual Obligations

The following table sets forth the contractual obligations of the Company as of December 31, 2009:

	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
	-----	-----	-----	-----	-----
Long-term debt	\$5,625,000	\$1,500,000	\$3,000,000	\$1,125,000	\$ --
Operating leases	831,611	226,646	287,724	280,813	36,428
	-----	-----	-----	-----	-----
Total	\$6,456,611	\$1,726,646	\$3,287,724	\$1,405,813	\$ 36,428
	=====	=====	=====	=====	-----

Forward-Looking Statements

The statements contained above in Management's Discussion and Analysis concerning the Company's future revenues, profitability, financial resources, market demand and product development are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) relating to the Company that are based on the beliefs of the management of the Company, as well as assumptions and estimates made by and information currently available to the Company's management. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment, including, but not limited to, competitive factors and pricing pressures, the current litigation with certain former traditional franchisees, shifts in market demand, general economic conditions and other factors including, but not limited to, changes in demand for the Company's

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products or franchises, the success or failure of individual franchisees, the impact of competitors' actions and changes in prices or supplies of food ingredients and labor as well as the factors discussed above under "Risk Factors." Should one or more of these risks or uncertainties materialize, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to interest rate risk relates primarily to its variable-rate debt. As of December 31, 2009, the Company had outstanding interest-bearing debt in the aggregate principal amount of \$5.625 million. The Company's current borrowings are at a variable rate tied to the London Interbank Offered Rate ("LIBOR") plus 3.75% per annum adjusted on a monthly basis. To mitigate interest rate risk, the Company 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 March 1, 2010 of \$5.25 million for each 1.0% increase in LIBOR, the Company would incur increased interest expense of approximately \$23,200 over the succeeding twelve-month period.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Balance Sheets Noble Roman's, Inc. and Subsidiaries

	Dece
	2008

Assets	
Current assets:	
Cash	\$ 450,968
Accounts and notes receivable - net	1,046,545
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

Total current assets	3,241,632

Property and equipment:	
Equipment	1,206,979
Leasehold improvements	96,512

	1,303,491
Less accumulated depreciation and amortization	821,422

Net property and equipment	482,069
Deferred tax asset (net of current portion)	11,802,637
Other assets including long-term portion of notes receivable net	1,752,102

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Total assets	\$ 17,278,440
=====	
Liabilities and Stockholders' Equity	
Current liabilities:	
Current portion of long-term note payable	\$ 1,500,000
Accounts payable	290,895
Accrued expenses	900,221
Total current liabilities	2,691,116

Long-term obligations:	
Note payable to bank (net of current portion)	5,625,000
Total long-term liabilities	5,625,000

Stockholders' equity:	
Common stock - no par value (25,000,000 shares authorized, 19,412,499 issued and outstanding as of December 31, 2008 and December 31, 2009)	23,023,250
Preferred stock (5,000,000 shares authorized, 20,625 issued and outstanding as of December 31, 2008 and December 31, 2009)	800,250
Accumulated deficit	(14,861,176)
Total stockholders' equity	8,962,324

Total liabilities and stockholders' equity	\$ 17,278,440
=====	

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Operations Noble Roman's, Inc. and Subsidiaries

	Year Ended December 31,		
	2007	2008	2009
Royalties and fees	\$ 10,411,326	\$ 7,561,440	\$ 6,949,199
Administrative fees and other	67,467	48,084	63,500
Restaurant revenue	1,088,022	1,432,435	536,880
Total revenue	11,566,815	9,041,959	7,549,579
Operating expenses:			
Salaries and wages	1,642,529	1,366,861	1,057,670
Trade show expense	554,574	488,012	309,820
Travel expense	527,455	386,018	134,350
Sales commissions	621,928	62,960	3,620
Other operating expenses	1,024,399	880,464	741,740
Restaurant expenses	1,011,146	1,369,139	496,610
Depreciation and amortization	96,682	91,736	78,770
General and administrative	1,680,284	1,624,022	1,485,350
Operating income	4,407,818	2,772,747	3,241,600

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Interest and other expense	650,802	616,333	466,94
	-----	-----	-----
Income before income taxes from continuing operations	3,757,016	2,156,414	2,774,66
Income tax expense	1,268,489	733,180	1,099,04
	-----	-----	-----
Net income from continuing operations	2,488,527	1,423,234	1,675,61
Loss from discontinued operations net of tax benefit of \$2,508,433 for 2008	--	(3,824,397)	--
	-----	-----	-----
Net income (loss)	2,488,527	(2,401,163)	1,675,61
Cumulative preferred dividends	127,116	66,181	66,00
	-----	-----	-----
Net income (loss) available to common stockholders	\$ 2,361,411	\$ (2,467,344)	\$ 1,609,61
	=====	=====	=====
Earnings per share - basic:			
Net income from continuing operations	\$.14	\$.07	\$.0
Net loss from discontinued operations net of tax benefit	\$ --	\$ (.20)	\$ --
Net income (loss)	\$.14	\$ (.13)	\$.0
Net income (loss) available to common stockholders	\$.13	\$ (.13)	\$.0
Weighted average number of common shares outstanding	17,675,834	19,213,522	19,412,49
Diluted earnings per share:			
Net income from continuing operations	\$.13	\$.07	\$.0
Net loss from discontinued operations net of tax benefit	\$ --	\$ (.19)	\$ --
Net income (loss)	\$.13	\$ (.12)	\$.0
Weighted average number of common shares outstanding	18,973,291	20,147,150	19,950,02

See accompanying notes to consolidated financial statements.

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

	Preferred Stock	Common Shares	Stock Amount	Accumulated Deficit
	-----	-----	-----	-----
Balance at December 31, 2006	\$ 1,978,800	16,602,661	\$ 21,393,360	\$ (14,755,243)
2007 net income				2,488,527
Cumulative preferred dividends				(127,116)
Exercise of employee stock options		130,750	143,358	
Amortization of value of employee stock options			26,631	

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Conversion of preferred stock to common stock	(1,178,550)	539,994	1,178,550	
Exercise of warrants from previous debt holders		130,975	163,719	
Cashless exercise of warrants		1,783,119		
Balance at December 31, 2007	\$ 800,250	19,187,499	\$ 22,905,618	\$ (12,393,832)
2008 net loss				(2,401,163)
Cumulative preferred dividends				(66,181)
Exercise of employee stock options		15,000	12,450	
Amortization of value of employee stock options			52,682	
Exercise of warrants from previous debt holders		10,000	12,500	
Issuance of common stock		200,000	40,000	
Balance at December 31, 2008	\$ 800,250	19,412,499	\$ 23,023,250	\$ (14,861,176)
2009 net income				1,675,617
Cumulative preferred dividends				(66,000)
Amortization of value of employee stock options			50,910	
Balance at December 31, 2009	\$ 800,250	19,412,499	\$ 23,074,160	\$ (13,251,559)

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows Noble Roman's, Inc. and Subsidiaries

	Year ended December 31	
	2007	2008
OPERATING ACTIVITIES		
Net income (loss)	\$ 2,488,527	\$ (2,401,163)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	191,432	183,225
Non-cash expense from loss on discontinued operations	--	2,220,023
Deferred income taxes	1,268,489	733,180
Changes in operating assets and liabilities:		
(Increase) decrease in:		

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Accounts and notes receivable	(1,074,561)	(40,591)
Inventories	(94,805)	6,337
Prepaid expenses	(266,358)	(49,363)
Other assets	(255,521)	88,673
Increase (decrease) in:		
Accounts payable and accrued expenses	136,519	(158,020)
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,393,722	582,301
	-----	-----
INVESTING ACTIVITIES		
Purchase of property and equipment	(107,941)	(16,778)
Assets held for resale	(312,539)	(2,040)
	-----	-----
NET CASH USED BY INVESTING ACTIVITIES	(420,480)	(18,818)
	-----	-----
FINANCING ACTIVITIES		
Payment of obligations from discontinued operations	(929,484)	(2,501,682)
Payment of cumulative preferred dividends	(127,116)	(66,181)
Payment of principal on outstanding debt	(1,500,000)	(1,500,000)
Payment received on long-term notes receivable	187,898	133,736
Proceeds from issuance of long-term debt, net of debt issue costs	--	2,964,455
Proceeds from the exercise of stock options and warrants	307,076	24,950
	-----	-----
NET CASH USED BY FINANCING ACTIVITIES	(2,061,627)	(944,722)
	-----	-----
Decrease in cash	(88,383)	(381,239)
Cash at beginning of year	920,590	832,207
	-----	-----
Cash at end of year	\$ 832,207	\$ 450,968
	=====	=====

Supplemental Schedule of Non-Cash Investing and Financing Activities:

The holders of \$1,215,000 in liquidation value of preferred stock exchanged their preferred stock for 539,994 shares of common stock in 2007. The holders of warrants to purchase 2,000,000 shares of stock exercised the cashless exercise provisions of the warrants in 2007 and were issued 1,783,119 shares of common stock.

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements Noble Roman's, Inc. and Subsidiaries

Note 1: Summary of Significant Accounting Policies

Organization: The Company sells and services franchises for non-traditional and co-branded foodservice operations under the trade names "Noble Roman's Pizza", "Tuscano's Italian Style Subs", "Noble Roman's Bistro", "Noble Roman's Take-N-Pizza" and "Tuscano's Grab-N-Go Subs".

Principles of Consolidation: The consolidated financial statements include the

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accounts of Noble Roman's, Inc. and its wholly-owned subsidiaries, Pizzaco, Inc. and N.R. Realty, Inc. (collectively, the "Company"). Inter-company balances and transactions have been eliminated in consolidation.

Generally Accepted Accounting Principles: In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification ("Codification" or "ASC") which became the single official source of authoritative, nongovernmental U.S. generally accepted accounting principles (GAAP). The Codification did not change GAAP but reorganized the literature and changed the naming mechanism by which topics are referenced. Companies were required to begin using the Codification for interim and annual periods ending after September 15, 2009. As required, references to pre-codification accounting literature have been changed throughout this Annual Report on Form 10-K to appropriately reference the Codification. The consolidated results of the Company were not impacted by this change.

Inventories: Inventories consist of food, beverage, restaurant supplies, restaurant equipment and marketing materials and are stated at the lower of cost (first-in, first-out) or market.

Property and Equipment: Equipment and leasehold improvements are stated at cost. Depreciation and amortization are computed on the straight-line method over the estimated useful lives ranging from five years to 12 years. Leasehold improvements are amortized over the shorter of estimated useful life or the term of the lease.

Cash and Cash Equivalents: Includes actual cash balance plus cash invested overnight pursuant to an agreement with a bank. Neither the cash or cash equivalents are pledged nor are there any withdrawal restrictions.

Assets Held for Resale: The Company records the cost of franchised locations held by the Company on a temporary basis until they are sold to a franchisee at the Company's cost adjusted for impaired value, if any, to the estimated net realizable value. The Company estimates net realizable value using comparative replacement costs for other similar franchise locations that are being built at the time the estimate is made.

Advertising Costs: The Company records advertising costs consistent with ASC Other Expense topic and Advertising Costs subtopic. This statement requires the Company to expense advertising production costs the first time the production material is used.

Fair Value Measurements and Disclosures: The Fair Value Measurements and Disclosures topic of the FASB's ASC requires companies to determine fair value based on the price that would be received to sell the asset or paid to transfer the liability to a market participant. The Fair Value Measurements and Disclosures topic emphasizes that fair value is a market-based measurement, not an entity-specific measurement. The new guideline required a phase-in approach: (1) phase one was effective for financial assets and liabilities in our first quarter of 2008 and (2) phase two was effective for non-financial assets and liabilities in our first quarter of fiscal 2009. The new provisions did not have a significant impact on our 2008 or 2009 consolidated financial statements.

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The guidance requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

- o Level 1: Quoted market prices in active markets for identical assets or liabilities.
- o Level 2: Observable market based inputs or unobservable inputs that

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are corroborated by market data.

- o Level 3: Unobservable inputs that are not corroborated by market data.

As of December 31, 2008 and 2009, the Company held an interest rate swap, a financial liability that is required to be measured at fair value on a recurring basis utilizing Level 2 inputs. The carrying value for this liability approximates its fair value, and is not material to our 2008 or 2009 consolidated financial statements.

Fair Value of Financial Instruments: The Company's current borrowings are at a monthly variable rate tied to LIBOR. 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 \$2.625 million as of March 1, 2010), at an annual interest rate of 8.2%.

Our swap is a derivative instrument that is designated as cash flow hedge because the swap provides a hedge against the effects of rising interest rates on present and/or forecasted future borrowings. The effective portion of the gain or loss on the swap is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the swap affects earnings. Gains or losses on the swap representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. Amounts payable or receivable under the swap is accounted for as adjustments to interest expense. The financial liability was not material to our 2008 or 2009 consolidated financial statements. There were no derivatives that were not designated as hedging instruments under the provisions of the ASC topic, Derivatives and Hedging.

Use of Estimates: The preparation of the consolidated financial statements in conformity with United States 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 could differ from those estimates. The Company records a valuation allowance in a sufficient amount to adjust the total notes and accounts receivables value, in its best judgment, to reflect the amount that the Company estimates will be collected from its total receivables. As any accounts are determined to be uncollectible, they are charged off against the valuation allowance. The Company evaluates its assets held for resale, property and equipment and related costs periodically to assess whether any impairment indications are present, including recurring operating losses and significant adverse changes in legal factors or business climate that affect the recovery of recorded value. If any impairment of an individual asset is evident, a loss would be provided to reduce the carrying value to its estimated fair value.

Intangible Assets: Debt issue costs are amortized to interest expense ratably over the term of the applicable debt. The debt issue cost being amortized is \$438,236 with accumulated amortization at December 31, 2007 of \$156,603, December 31, 2008 of \$207,243 and December 31, 2009 of \$256,742.

Royalties, Administrative and Franchise Fees: Royalties are recognized as income monthly and are based on a percentage of monthly sales of franchised restaurants. Administrative fees are recognized as income monthly as earned. Initial franchise fees are recognized as income when the services for the franchised restaurant are substantially completed. Area development fees, since they are fully earned and non-refundable when received, are recognized as income when received.

Exit or Disposal Activities Related to Discontinued Operations: The Company

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records exit or disposal activity for discontinued operations when management commits to an exit or disposal plan and includes those charges under results of discontinued operations, as required by ASC Exit or Disposal Cost Obligations topic.

Income Taxes: The Company provides for current and deferred income tax liabilities and assets utilizing an asset and liability approach along with a valuation allowance as appropriate. The Company concluded that no valuation allowance was necessary because it is more likely than not that the Company will earn sufficient income before the expiration of its net operating loss carry forwards to fully realize the value of the recorded deferred tax asset. As of December 31, 2009, the net operating loss carry-forward was approximately \$27 million which expires between the years 2012 and 2028. Management made the determination that no valuation allowance was necessary after reviewing the Company's business plans, all known facts to date, recent trends, current performance and analysis of the backlog of franchises sold but not yet open.

Effective January 1, 2009, U.S. generally accepted accounting principles require the Company to examine its tax positions for uncertain positions. Management is not aware of any tax positions that are more likely than not to change in the next twelve months, or that would not sustain an examination by applicable taxing authorities. The Company's policy is to recognize penalties and interest as incurred in its statement of operations, which were none for the years ended December 31, 2007, 2008 and 2009. The Company's federal and various state income tax returns for 2006 through 2009 are subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date.

Basic and Diluted Net Income (Loss) Per Share: Net income (loss) per share is based on the weighted average number of common shares outstanding during the respective year. When dilutive, stock options and warrants are included as share equivalents using the treasury stock method.

The following table sets forth the calculation of basic and diluted earnings per share for the year ended December 31, 2007:

	Income (Numerator)	Shares (Denominator)	Per Share Amount
	-----	-----	-----
Net income	\$ 2,488,527		
Less preferred stock dividends	(127,116)		

Earnings per share - basic			
Income available to common stockholders	2,361,411	17,675,834	\$.13
Effect of dilutive securities			
Warrants	--	858,333	
Options	--	72,458	
Convertible preferred stock	127,116	366,666	
	-----	-----	
Diluted earnings per share			
Income available to common stockholders and assumed conversions	\$ 2,488,527	18,973,291	\$.13

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The following table sets forth the calculation of basic and diluted loss per share for the year ended December 31, 2008:

	Income (Numerator)	Shares (Denominator)	Per Share Amount
	-----	-----	-----
Net loss	\$ (2,401,163)		
Less preferred stock dividends	(66,181)		

Loss per share - basic			
Loss available to common stockholders	(2,467,344)	19,213,522	\$ (.13)
Effect of dilutive securities			
Warrants	--	230,660	
Options	--	336,302	
Convertible preferred stock	66,181	366,666	
	-----	-----	
Diluted loss per share			
Loss available to common stockholders and assumed conversions	\$ (2,401,163)	20,147,150	\$ (.12)

The following table sets forth the calculation of basic and diluted loss per share for the year ended December 31, 2009:

	Income (Numerator)	Shares (Denominator)	Per Share Amount
	-----	-----	-----
Net income	\$ 1,675,617		
Less preferred stock dividends	(66,000)		

Income per share - basic			
Income available to common stockholders	1,609,617	19,412,499	\$.08
Effect of dilutive securities			
Warrants	--	--	
Options	--	170,862	
Convertible preferred stock	66,000	366,666	
	-----	-----	
Diluted loss per share			
Income available to common stockholders and assumed conversions	\$ 1,675,617	19,950,027	\$.08

Subsequent Events: The Subsequent Events topic of the ASC requires public companies to evaluate subsequent events through the date the consolidated financial statements are issued. Accordingly, we evaluated for subsequent events occurring after December 31, 2009 (our consolidated financial statement date) through March 16, 2010 (the date this report was filed). We determined no subsequent events disclosures were required.

Note 2: Accounts and Notes Receivable

At December 31, 2008 and 2009, the carrying value of the Company's accounts receivable has been reduced to anticipated realizable value. As a result of this

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reduction of carrying value, the Company anticipates that substantially all of its receivables reflected on the Consolidated Balance Sheet as of December 31, 2008 and 2009 will be collected.

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Note 3: Notes Payable

In conjunction with a Settlement Agreement with SummitBridge National Investments, LLC and related entities, Noble Roman's obtained a new six-year term loan, in August 2005, in the principal amount of \$9,000,000 requiring principal payments of \$125,000 per month plus interest at the rate of LIBOR plus 4% per annum adjusted on a monthly basis. On February 4, 2008, the Company entered into a First Amendment to Loan Agreement (the "Amendment") with Wells Fargo that amended the existing Loan Agreement between the Company and Wells Fargo (the "Loan Agreement"). The Amendment provided for Wells Fargo to loan an additional \$3.0 million to the Company. The Amendment also reduced the interest rate applicable to amounts borrowed under the Loan Agreement 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 at an annual interest rate of 8.2%. The unpaid balance on the Amended Note as of December 31, 2009 was \$5,625,000. Interest paid on this Note was \$408,735 in 2009, \$569,523 in 2008 and \$598,211 in 2007. The Note's principal amortization is as follows: \$1.5 million in 2010, \$1.5 million in 2011, \$1.5 million in 2012 and \$1.125 million in 2013. The Company's obligations under the loan are secured by the grant of a security interest in its personal property and certain restrictions apply such as a prohibition on the payment of dividends, all as defined in the Loan Agreement. The (gain) loss difference between interest from the swap contract compared to interest expense on the term loan was (\$14,537), \$62,698 and \$128,559 for the years ended December 31, 2007, 2008 and 2009, respectively.

The Amendment to the Loan Agreement in February 2008 was not considered substantive under ASC Debt topic and Modifications and Extinguishments subtopic. In August 2005, the Company borrowed \$9 million for the purpose of implementing a settlement with SummitBridge National Investments, LLC. That term loan required principal payments of \$125,000 per month plus monthly interest payments equal to LIBOR + 4%. The Loan Agreement also required the Company to maintain certain financial ratios during the term of the loan. At the time of the modification in February 2008, the loan had a remaining principal balance \$5.375 million and the Company borrowed an additional \$3.0 million to the same term loan for general corporate purposes. The terms of the loan, as amended, continued the same \$125,000 per month principal payments, however, the interest rate was modified to LIBOR + 3.75% to reflect the reduced leverage ratio of the Company. The extension of the maturity date from August 31, 2011 to August 31, 2013 was to reflect the number of months necessary to maintain the same \$125,000 per month principal amortization and financial ratios. The Company accounted for the transaction by increasing its cash and note payable accounts by \$3.0 million.

Note 4: Royalties and Fees

Approximately \$1,221,500, \$353,500 and \$203,450 are included in the 2007, 2008 and 2009, respectively, royalties and fees in the Consolidated Statement of Operations for initial franchise fees. In addition, the Consolidated Statement of Operations reflects approximately \$1,537,700, \$104,825 and none in 2007, 2008 and 2009, respectively, of royalties and fees for the sale of area development agreements. Also included in royalties and fees were approximately \$891,300, \$397,200 and \$38,509 in 2007, 2008 and 2009, respectively, for equipment

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commissions. Most of the cost for the services required to be performed by the Company are incurred prior to the franchise fee income being recorded which is based on contractual liability for the franchisee. For the most part, the Company's ongoing royalty income is 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.

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In conjunction with the development of Noble Roman's Pizza and Tuscano's Italian Style Subs, the Company has devised its own recipes for many of the ingredients that go into the making of its products ("Proprietary Products"). The Company contracts with various manufacturers to manufacture its Proprietary Products in accordance with the Company's recipes and formulas and to sell those products to authorized distributors at a contract price which includes an allowance for use of the Company's recipes. The manufacturing contracts also require the manufacturers to remit those allowances to the Company on a periodic basis, usually monthly. The Company recognizes those allowances in revenue as earned based on sales reports from the distributors.

There were 829 franchised outlets in operation on December 31, 2008 and 834 on December 31, 2009. During that twelve-month period there were 96 new franchised outlets opened and 91 franchised outlets left the system, 35 of which reached the end of their franchise agreement term and 56 of which ceased operation for other reasons.

Note 5: Contingent Liabilities for Leased Facilities

The Company formerly leased its restaurant facilities under non-cancelable lease agreements which generally had initial terms ranging from five to 20 years with extended renewal terms. All of these leases have been terminated or assigned to franchisees who operate them pursuant to a Noble Roman's, Inc. Franchise Agreement. The assignment passes all liability for future lease payments to the assignees, however, the Company remains contingently liable on a portion of the leases to the landlords in the event of default by the assignees. The leases generally required the Company or its assignees to pay all real estate taxes, insurance and maintenance costs. At December 31, 2009, contingent obligations under non-cancelable operating leases for 2010, 2011, 2012, 2013, 2014 and after 2014 were approximately \$87,963, \$88,863, \$89,763, \$90,663, \$91,563 and \$96,018, respectively.

The Company has future obligations under current operating leases of \$831,611 as follows: due in less than one year \$226,646, due in one to three years \$287,724, due in three to five years \$280,813 and due in more than five years \$36,428.

Note 6: Income Taxes

The Company had a deferred tax asset, as a result of prior operating losses, of \$12,853,137 at December 31, 2008 and \$11,754,094 at December 31, 2009, which expires between the years 2012 and 2028. In 2007, 2008 and 2009, the Company used deferred benefits to offset its tax expense of \$1,268,489, \$733,180 and \$1,099,044, respectively, and tax benefits from loss on discontinued operations of \$2,508,433 in 2008. The Company reduced its valuation allowance in 2007 by \$2,074,253 and in 2008 by \$120,975 and reflected that reduction in the discontinued operations. As a result of the tax credits, the Company did not pay any income taxes in 2007, 2008 and 2009. There are no material differences between reported income tax expense or benefit and the income tax expense or benefit that would result from applying the Federal and state statutory tax rates.

Note 7: Common Stock

During 2007, certain warrant holders exercised their warrants to purchase 130,975 shares of common stock and various employees exercised stock options for 130,750 shares of common stock. In addition, certain warrant holders with warrants for the purchase of 2,000,000 shares exercised, pursuant to the cashless exercise provision of the warrants, those warrants and received 1,783,119 shares of common stock.

During 2008, certain warrant holders exercised their warrants to purchase 10,000 shares of common stock and an employee exercised its option to purchase 15,000 shares of common stock.

At December 31, 2009 the Company had outstanding warrants to purchase common stock as follows:

# Common Shares Represented	Exercise Price	Warrant Expiration Date
1,000,000	\$.93	6/30/2011
50,000	.95	9/26/2010
600,000	.93	1/24/2011

The Company has an incentive stock option plan for key employees and officers. The options are generally exercisable three years after the date of grant and expire ten years after the date of grant. The option prices are the fair market value of the stock at the date of grant. At December 31, 2009, the Company had the following employee stock options outstanding:

# Common Shares Represented	Exercise Price
750	\$1.46
20,000	1.45
40,000	.55
46,000	.83
20,000	1.10
58,500	2.30
445,000	.36

As of December 31, 2009, options for 185,250 shares were exercisable.

During 2005, the Company issued Series B Preferred Stock with a liquidation value of \$2,040,000 which was convertible, after December 31, 2006, at the option of the holder to common stock at a conversion price of \$2.25 per share. During 2007, the holders of \$1,215,000 in liquidation value of the Series B Preferred Stock converted those shares to 539,994 shares of common stock. On December 31, 2008 and December 31, 2009, the Company had issued and outstanding Series B Preferred Stock with a liquidation value of \$825,000, which provides for cumulative dividends of 8% per annum through December 31, 2009 and thereafter at a rate of 12% per annum on the liquidation value. The Company, at its option, may now redeem the Series B Preferred Stock at the liquidation value.

The Company adopted utilized the modified prospective method of adoption, which does not require restatement of prior periods. Under the modified prospective method, the Company is required to record compensation expense for all awards granted after the date of adoption and for the unvested portion of previously granted awards that remain outstanding at the date of adoption, net of an estimate of expected forfeitures. Compensation expense is based on the estimated fair values of stock options determined on the date of grant and is recognized over the related vesting period, net of an estimate of expected

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forfeitures.

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The Company estimates the fair value of its option awards on the date of grant using the Black-Scholes option pricing model. The risk-free interest rate is based on external data while all other assumptions are determined based on the Company's historical experience with stock options. No options were granted in 2007 or 2009. The following assumptions were used for grants in 2008:

Expected volatility	30%
Expected dividend yield	None
Expected term (in years)	5
Risk-free interest rate	3.56%

The following table sets forth the number of options outstanding as of December 31, 2007, 2008 and 2009 and the number of options granted, exercised or forfeited during the years ended December 31, 2007, December 31, 2008 and December 31, 2009:

Balance of employee stock options outstanding as of 12/31/2006	351,500
Stock options granted during the year ended 12/31/07	0
Stock options exercised during the year ended 12/31/07	(130,750)
Stock options forfeited during the year ended 12/31/07	(20,500)
Balance of employee stock options outstanding as of 12/31/07	200,250
Stock options granted during the year ended 12/31/08	485,000
Stock options exercised during the year ended 12/31/08	(15,000)
Stock options forfeited during the year ended 12/31/08	(20,000)
Balance of employee stock options outstanding as of 12/31/08	650,250
Stock options granted during the year ended 12/31/09	0
Stock options exercised during the year ended 12/31/09	0
Stock options forfeited during the year ended 12/31/09	(20,000)
Balance of employee stock options outstanding as of 12/31/09	630,250

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The following table sets forth the number of non-vested options outstanding as of December 31, 2007, 2008 and 2009, and the number of stock options granted, vested and forfeited during the years ended December 31, 2007, December 31, 2008 and December 31, 2009.

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Balance of employee non-vested stock options outstanding as of 12/31/2006	160,000
Stock options granted during the year ended 12/31/07	0
Stock options vested during the year ended 12/31/07	(61,000)
Stock options forfeited during the year ended 12/31/07	(20,500)
Balance of employee non-vested stock options outstanding as of 12/31/07	78,500
Stock options granted during the year ended 12/31/08	485,000
Stock options vested during the year ended 12/31/08	0
Stock options forfeited during the year ended 12/31/08	(20,000)
Balance of employee non-vested stock options outstanding as of 12/31/08	543,500
Stock options granted during the year ended 12/31/09	0
Stock options vested during the year ended 12/31/09	(78,500)
Stock options forfeited during the year ended 12/31/09	(20,000)
Balance of employee non-vested stock options outstanding as of 12/31/09	445,000

There were no employee stock options granted, exercised or expired during 2009, however, an option for 20,000 shares was forfeited during 2009 with an exercise price of \$.36 per share. At December 31, 2009, the weighted average grant date fair value of non-vested options was \$.36 per share and the weighted average grant date fair value of vested options was \$1.33 per share. The weighted average grant date fair value of employee stock options granted during 2007 was zero, during 2008 was \$.36 per share and during 2009 was zero. Total compensation cost recognized for share-based payment arrangements was \$26,631 with a tax benefit of \$9,054 in 2007, \$52,682 with a tax benefit of \$17,911 in 2008, and \$50,910 with a tax benefit of \$20,165 in 2009. As of December 31, 2009, total compensation cost related to non-vested options was \$43,837, which will be recognized as compensation cost over the next 15 months. No cash was used to settle equity instruments under share-based payment arrangements.

Note 8: Statement of Financial Accounting Standards

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

Note 9: Loss from Discontinued Operations

There was no loss on discontinued operations in 2009, however, there was a loss on discontinued operations of \$3.8 million in 2008 and none in 2007 as the losses from discontinued operations of \$2.0 million in 2007 were offset by decreasing the valuation allowance for its deferred tax credit. The Company has elected to focus all of its efforts on non-traditional franchises. The loss on discontinued operations was primarily the result of operating traditional restaurants which had been acquired from struggling franchisees and later sold to new franchisees. The Company, in December 2008, made the decision to

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discontinue that business and charged off or dramatically lowered the carrying value of all assets related to the traditional restaurants and accrued future estimated expenses related thereto. The Company does not expect to generate revenue or incur expenses from the sale of similar products or services to customers of the disposed components. The disposed components were accounted for as discontinued operations since the direct cash flows of the components have been eliminated from the ongoing operations of the Company and the Company will not have any continuing financial involvement in the disposed components.

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Note 10: Contingencies

The Company, from time to time, is involved in various litigation relating to claims arising out of its normal business operations.

The Company is a Defendant in a lawsuit styled Kari Heyser, Fred Eric Heyser and Meck Enterprises, LLC, et al v. Noble Roman's, Inc. et al, filed in Superior Court in Hamilton County, Indiana on June 19, 2008. The Plaintiffs are former franchisees of the Company's traditional location venue. In addition to the Company, the Defendants include certain of the Company's officers. Lenders to certain of the Plaintiffs were also named as Defendants, but the Court dismissed the claims against them. The Plaintiffs allege that the Defendants induced them to purchase traditional franchises through fraudulent representations and omissions of material facts regarding the franchises, and seek compensatory and punitive damages. In the complaint, the Plaintiffs claimed damages in the aggregate in the amount of \$6.8 million and in some cases requested punitive damages, court costs and/or prejudgment interest. Discovery is in progress, but has not yet been completed. Defendants filed the First Request for Production of Documents in February 2009 and certain Plaintiffs produced some documents requested by the Company. However, many of the Plaintiffs produced no documents and the Company, in July 2009, filed a Motion to Compel the production against the Plaintiffs. In September 2009 the Judge entered a Stipulated Order on the Motion to Compel stating that all Plaintiffs in this litigation were ordered to: (1) fully and completely and without objection or evasion, file written responses to the Company's Request by September 30, 2009 demonstrating what documents and things exists which are responsive to the Request and (2) fully and completely without objection or evasion, produce all documents and things that are responsive to the Request by October 15, 2009. The Company believes that the written responses submitted by the Plaintiffs do not comply with the Order. Further, many of the Plaintiffs have not submitted any documents and most of the others have not fully complied with the Order to Compel.

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

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

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Plaintiffs entered his appearance in the case on behalf of the Plaintiffs in May 2009.

The Company also filed a Motion for Partial Summary Judgment as to several claims in the Complaint, which the Judge granted on September 22, 2009. On October 8, 2009 Plaintiffs filed a Motion to Correct Error, Reconsider And Vacate Order; Request For Clarification; Alternatively, Motion For Certification

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Of Appeal Of Interlocutory Order And For Stay Of Proceeding Pending Appeal. On January 12, 2010, the Court denied Plaintiffs' Motion and, in the same Order the Court denied Plaintiffs' Motion for Certification of Appeal of Interlocutory Order and for Stay of Proceedings Pending Appeal. Further, the Court denied Plaintiffs' request to amend their Complaint. In a January 15, 2010 Telephonic Status Conference regarding scheduling and other matters between the Judge, Plaintiffs' counsel and Defendants' counsel, the Plaintiffs' counsel orally requested that the Court reconsider its January 12, 2010 rulings described above concerning whether constructive fraud can be plead. Counsel for the Plaintiffs further requested that if the Court does not grant leave to amend the Complaint he would request the Court to certify such Order for an Interlocutory Appeal. In a February 2, 2010 ruling, the Court reaffirmed the Order of January 12, 2010 denying Plaintiffs' Motion to Correct Error, Reconsider And Vacate Order; Request For Clarification; Alternatively, Motion For Certification Of Appeal Of Interlocutory Order And For Stay Of Proceeding Pending Appeal. Furthermore, the Order of February 2, 2010 stated the following: "Finally, the Court does now find that there is no just reason for delay and the Court does now expressly enter Final Judgment as to the issues of whether or not the Plaintiffs included in the Amended Complaint the theory of constructive fraud and that the Plaintiffs may not have leave to file an Amended Complaint to include such theory." On February 11, 2010, counsel for the Plaintiffs filed a Notice of Appeal with the Indiana Court of Appeals. Defendants' Counsel is preparing a motion to dismiss the appeal based on lack of jurisdiction.

On December 2, 2009, Plaintiffs filed a Motion for Extensions, Sanctions and Other Relief claiming, in part, that the Defendants' claim against Plaintiffs' counsel in Small Claims Court for reimbursement of fees and other expenses was improper. In the Order of January 12, 2010, the Court granted Plaintiffs' Request for Extensions, denied Plaintiffs' Request for Sanctions and Other Relief, and ruled that Defendants' claim in Small Claims Court against Plaintiffs' counsel was appropriate.

To date, 11 of the 14 Plaintiff groups have been deposed. The Company continues to attempt to schedule the remaining Plaintiffs for depositions. On September 29, 2009, Defendants filed a Motion to Reopen Plaintiff Dunn's deposition and require him to come to Indianapolis and resume his deposition at the Plaintiff's expense claiming that Plaintiffs' counsel wrongly interrupted a proper line of questioning and prematurely ended the deposition. In the Court's Order of January 12, 2010, Defendants' Motion was granted and Dunn was ordered to come to Indianapolis to continue his deposition and further ordered that any privilege regarding Mr. Dunn's communications with his son, an attorney, concerning his son's review, recommendations and opinions about Noble Roman's franchise documents has been waived and no further objection may be offered regarding those topics. The continuation of Dunn's deposition was held on March 11, 2010. On October 16, 2009, Defendants filed a motion to require Plaintiff Heyser to travel to Indianapolis for her deposition as a result of her deposition, which had been previously agreed to, being canceled at her request and agreeing, through counsel, to come to Indianapolis at a later date for the deposition. Many days later Plaintiffs' counsel denied that agreement even though it had been confirmed by email. In the Order of January 12, 2010, Defendants' Motion to Compel Plaintiff Kari Heyser to attend a deposition in Indianapolis was granted.

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Ms. Heyser's deposition was taken in Indianapolis on March 8, 2010. Plaintiffs Villasenors were scheduled for deposition in El Centro, California on January 20, 2010, however, even though Defendants' Counsel was present in El Centro for the deposition, the Villasenors did not appear for deposition. As a result, by agreement of counsels, those depositions are to be taken in Indianapolis, Indiana and are in the process of being rescheduled in March 2010. Plaintiffs' counsel has been unable to obtain a schedule for depositions of Plaintiffs Morris and Plaintiffs Soltero and filed a motion with the court to withdraw representation of those Plaintiffs.

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The Defendants were scheduled for depositions by Plaintiffs' counsel during the week of November 9, 2009, however, Plaintiffs' counsel canceled those depositions. Defendants had been rescheduled for depositions during the week of March 15, 2010, however, on March 12, 2010, Plaintiffs' counsel canceled those scheduled depositions.

Defendants filed Motions for Summary Judgment as to Plaintiff Brintle on November 6, 2009 and Plaintiff Clark on November 25, 2009, as a result of their testimony at depositions. The Defendants are in the process of preparing motions for Summary Judgment against all of the other Plaintiffs whose depositions have been taken. In the Judge's Order of February 2, 2010, the Judge set a deadline of April 30, 2010 for filing of all remaining Motions for Summary Judgment, a deadline of June 4, 2010 for Plaintiffs' Response to all of the Summary Judgment Motions and a deadline of June 18, 2010 for Defendants' Reply to Responses.

Although there can be no assurance regarding the outcome of litigation, the Company believes that it has strong and meritorious legal and factual defenses to these claims and viable counter claims against the Plaintiffs and will vigorously defend its interests in this case and to pursue the counter claims.

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

Note 11: Certain Relationships and Related Transactions

The following is a summary of transactions to which the Company and certain officers and directors of the Company are a party or have a financial interest. The Board of Directors of the Company has adopted a policy that all transactions between the Company and its officers, directors, principal shareholders and other affiliates must be approved by a majority of the Company's disinterested directors, and be conducted on terms no less favorable to the Company than could be obtained from unaffiliated third parties.

Douglas Coape-Arnold was paid \$79,200 in consulting fees in 2007, \$79,200 in consulting fees in 2008 and \$62,400 in consulting fees in 2009.

Note 12: Unaudited Quarterly Financial Information

		Quarter Ended	
		September 30	June 30
2009	December 31		
----	-----	-----	-----
(in thousands, except per share data)			
Total revenue	\$ 1,822	\$ 1,934	\$ 1,903
Operating income	751	876	805
Income before income taxes	637	760	688

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Net income	385	460	415
Net income per common share			
Basic	\$.02	\$.02	\$.02
Diluted	.02	.02	.02

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	Quarter Ended		
2008	December 31	September 30	June 30
----	-----	-----	-----
	(in thousands, except per share data)		
Total revenue	\$ 2,058	\$ 2,212	\$ 2,422
Operating income	758	612	761
Income from continuing operations			
before income taxes	609	461	599
Net income from continuing operations	402	305	395
Loss from discontinued operations	3,824	--	--
Net income (loss)	(3,422)	305	395
Net income from continuing operations			
per common share			
Basic	\$.02	\$.02	\$.02
Diluted	.02	.02	.02
Net income (loss) per common share			
Basic	(.18)	.02	.02
Diluted	(.17)	.02	.02

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[LETTERHEAD OF SOMERSET CPAs]

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of

NOBLE ROMAN'S, INC. AND SUBSIDIARIES
Indianapolis, Indiana

We have audited the accompanying consolidated balance sheets of NOBLE ROMAN'S, INC. AND SUBSIDIARIES, as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2009. These

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consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NOBLE ROMAN'S, INC. AND SUBSIDIARIES, as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

/s/ Somerset CPAs, P.C.

Indianapolis, Indiana
March 16, 2010

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Our management, including Paul W. Mobley, the Company's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2009.

Internal Control Over Financial Reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with United States generally accepted accounting principles ("GAAP") and includes those policies and procedures that:

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- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Public Company Accounting Oversight Board's Auditing Standard No. 5 defines a material weakness as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A deficiency in internal control over reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

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

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in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are effective. It was also concluded that the Company's internal controls over financial reporting 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.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

ITEM 9B. OTHER INFORMATION

None.

PART III

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ITEM 10. DIRECTORS, EXECUTIVE OFFICERS OF THE REGISTRANT AND CORPORATE GOVERNANCE

Information concerning this item is included under captions "Election of Directors", "Section 16(a) Beneficial Ownership Reporting Compliance," and "Corporate Governance" in our Proxy Statement for our 2010 Annual Meeting of Shareholders (the "Proxy Statement") and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning this item is included under the caption "Executive Compensation", "Director Compensation", "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" in the 2010 Proxy Statement and is incorporate herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information concerning this item is included in Item 5 of this report under the caption "Equity Compensation Plan Information" and under the caption "Security Ownership of Certain Beneficial Owners and Management" in the 2010 Proxy Statement and is incorporate herein by reference.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information concerning this item is included under the caption "Corporate Governance" in the 2010 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information concerning this item is included under the caption "Independent Auditors' Fees" in the 2010 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements of Noble Roman's, Inc. and subsidiaries are included in Item 8:	Page ----
Consolidated Balance Sheets - December 31, 2008 and 2009	25
Consolidated Statements of Operations - years ended December 31, 2007, 2008 and 2009	26
Consolidated Statements of Changes in Stockholders' Equity - years ended December 31, 2007, 2008 and 2009	27
Consolidated Statements of Cash Flows - years ended December 31, 2007, 2008 and 2009	28
Notes to Consolidated Financial Statements	29
Report of Independent Registered Accounting Firm. -	

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Somerset CPAs, P.C.

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Exhibits

Exhibit Number -----	Description -----
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 23, 2010, 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.
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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

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Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.

- 10.3 1984 Stock Option Plan filed with the Registrant's Form S-8 filed November 29, 1994 (SEC File No. 33-86804), is incorporated herein by reference.
- 10.4 Noble Roman's, Inc. Form of Stock Option Agreement filed with the Registrant's Form S-8 filed November 29, 1994 (SEC File No. 33-86804), is incorporated herein by reference.
- 10.5 Settlement Agreement with SummitBridge dated August 1, 2005, filed as Exhibit 99.2 to the Registrant's current report on Form 8-K filed August 5, 2005, is incorporated herein by reference.
- 10.6 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.
- 10.7 First Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated February 4, 2008, filed as Exhibit 10.1 to the Registrant's current report on Form 8-K filed February 8, 2008, is incorporated herein by reference.
- 10.8 Registration Rights Agreement dated August 1, 2005 between the Company and SummitBridge National Investments filed as an Exhibit to the Registrant's Form S-1 filed on April 19, 2006, 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-14(a)
- 32.1 C.E.O. and C.F.O. Certification under Section 1350

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SIGNATURES

In accordance with of Section 13 or 15(d) 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: March 16, 2010

By: /s/ Paul W. Mobley

Paul W. Mobley, Chief Executive Officer and
Chief Financial Officer

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In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 16, 2010

/s/ Paul W. Mobley

Paul W. Mobley
Chairman of the Board and Director

Date: March 16, 2010

/s/ A. Scott Mobley

A. Scott Mobley
President and Director

Date: March 16, 2010

/s/ Douglas H. Coape-Arnold

Douglas H. Coape-Arnold
Director