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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)

- X 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 of incorporation or organization)	(I.R.S. Employer 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 X
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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 X
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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No
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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 X No
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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. X

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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.

NOBLE ROMAN'S, INC.
FORM 10-K
Year Ended December 31, 2009
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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, it's requirements for overhead and operating cost are reduced. In addition, during December 2008 the Company discontinued operating restaurants, by selling all but two of the restaurants 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.

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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) -----	Numb remai futu equ pl secur co -----
Equity compensation plans approved by stockholders	--	\$ --	
Equity compensation plans not approved by stockholders	630,250 -----	\$.64	

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Total	630,250 -----	\$.64
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- (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)

Statement of Operations Data:	Year Ended December 31,			
	2005	2006	2007	2008
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
	8,431	9,487	11,567	9,042
Total revenue				
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
	3,184	3,648	4,408	2,772
Operating income				
Interest and other	817	776	651	616
Other income	2,801	--	--	--
	5,168	2,872	3,757	2,156
Income before income taxes from continuing operations				
Income taxes	1,757	976	1,268	733
	3,411	1,896	2,489	1,423
Net income from continuing operations				
Loss from discontinued operations	(560)	--	--	(3,824)
	\$ 2,851	\$ 1,896	\$ 2,489	\$ (2,401)
Net income (loss)				

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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, 20