NOBLE ROMANS INC
Form 10-Q
May 10, 2011

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

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended March 31, 2011

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 organization)	(I.R.S. Employer Identification No.)
One Virginia Avenue, Suite 300 Indianapolis, Indiana	46204
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

As of May 6, 2011, there were 19,469,317 shares of Common Stock, no par value, outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

The following unaudited condensed consolidated financial statements are included herein:

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

Assets	December 31, 2010
Current assets:	
Cash	$ 337,044
Accounts and notes receivable - net	920,304
Inventories	316,913
Assets held for resale	246,278
Prepaid expenses	235,778
Deferred tax asset - current portion	1,400,000
Total current assets	3,456,317
Property and equipment:	
Equipment	1,139,050
Leasehold improvements	12,283
	1,151,333
Less accumulated depreciation and amortization	784,282
Net property and equipment	367,051
Deferred tax asset (net of current portion)	10,150,558
Other assets including long-term portion of notes receivable	2,920,853

Total assets	$ 16,894,779

Liabilities and Stockholders' Equity

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

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2010	2011
Royalties and fees	$ 1,635,656	$ 1,674,788
Administrative fees and other	6,250	8,377
Restaurant revenue	113,226	118,852
Total revenue	1,755,132	1,802,017
Operating expenses:		
Salaries and wages	240,388	237,644
Trade show expense	75,139	90,000
Travel expense	36,239	46,885
Other operating expenses	190,515	178,942
Restaurant expenses	111,749	118,564
Depreciation and amortization	14,574	13,549

General and administrative	394,804	408,388
Total expenses	1,063,406	1,093,972
Operating income	691,725	708,045
Interest and other expense	109,399	98,652
Income before income taxes	582,326	609,393
Income tax expense	230,659	241,381
Net income	351,667	368,012
Cumulative preferred dividends	16,636	24,953
Net income available to common stockholders	$ 335,031	$ 343,059
Earnings per share - basic:		
Net income	$ .02	$ .02
Net income available to common stockholders	.02	.02
Weighted average number of common shares outstanding	19,412,499	19,422,650
Diluted earnings per share:		
Net income	$ .02	$ .02
Weighted average number of common shares outstanding	20,036,415	20,118,211

See accompanying notes to condensed consolidated financial statements.

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

	Preferred Stock	Common Stock Shares	Common Stock Amount	Accumulated Deficit
Balance at December 31, 2010	$ 800,250	19,419,317	$23,116,317	$(13,031,928)
Net income for three months ended March 31, 2011				368,012
Cumulative preferred dividends				(24,953)
Exercise of employee stock options		50,000	18,000	
Amortization of value of employee				

stock options			30,772	
Balance at March 31, 2011	$ 800,250	19,469,317	$23,165,089	$(12,688,869)

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2010	2011
OPERATING ACTIVITIES		
Net income	$ 351,667	$ 368,012
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,257	64,925
Deferred income taxes	230,659	241,381
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and notes receivable	(196,174)	(27,081)
Inventories	1,453	(14,454)
Prepaid expenses	(99,228)	(80,169)
Other assets	(167,496)	(293,988)
Increase in:		
Accounts payable and accrued expenses	31,699	21,578
NET CASH PROVIDED BY OPERATING ACTIVITIES	175,839	280,204
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,395)	(3,375)
Investment in assets held for sale	--	(1,403)
NET CASH USED IN INVESTING ACTIVITIES	(2,395)	(4,778)
FINANCING ACTIVITIES		
Payment of obligations from discontinued operations	(81,906)	(142,158)
Payment of cumulative preferred dividends	(16,636)	(24,953)
Payment of principal on outstanding debt	(375,000)	(275,000)
Proceeds from the exercise of employee stock options	--	18,000
Principal payment received on notes receivable	--	3,807
Proceeds from officer loan	270,000	50,000
NET CASH USED IN FINANCING ACTIVITIES	(203,541)	(370,304)

Decrease in cash	(30,096)	(94,878)
Cash at beginning of period	333,204	337,044
Cash at end of period	$ 303,108	$ 242,166

Supplemental schedule of non-cash investing and financing activities

None.

Cash paid for interest	$ 84,080	$ 86,773

See accompanying notes to condensed consolidated financial statements.

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Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 - The accompanying unaudited interim condensed consolidated financial statements, included herein, have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated statements have been prepared in accordance with the Company's accounting policies described in the Annual Report on Form 10-K for the year ended December 31, 2010 and should be read in conjunction with the audited consolidated financial statements and the notes thereto included in that report. Unless the context indicates otherwise, references to the "Company" mean Noble Roman's, Inc. and its subsidiaries.

In the opinion of the management of the Company, the information contained herein reflects all adjustments necessary for a fair presentation of the results of operations and cash flows for the interim periods presented and the financial condition as of the dates indicated, which adjustments are of a normal recurring nature. The results for the three-month period ended March 31, 2011 are not necessarily indicative of the results to be expected for the full year ending December 31, 2011.

Note 2 - Royalties and fees include $64,000 and $52,500 for the three-month periods ended March 31, 2010 and 2011, respectively, of initial franchise fees. Royalties and fees included $59,684 and $10,125 for the three-month periods ended March 31, 2010 and 2011, respectively, of equipment commissions. Royalties and fees, less initial franchise fees and equipment commissions were $1,511,972 and $1,612,163 for the three-month periods ended March 31, 2010 and 2011, respectively. This increase resulted from an increase from non-traditional franchises, other than grocery stores, as a result of same store revenues increasing, partially offset by four fewer locations, in the amount of $55,228 and an increase in ongoing royalties and fees from the grocery store take-n-bake additions in the amount of $238,222 and these increases were partially offset by a decrease in royalties and fees from traditional locations in the approximate amount of $193,259. The Company has no material amount of past due royalties.

There were 1,112 outlets in operation on December 31, 2010 and 1,213 outlets in operation on March 31, 2011. During the three-month period ended March 31, 2011, there were 106 new outlets opened and 5 outlets closed.

Note 3 - The following table sets forth the calculation of basic and diluted earnings per share for the three-month period ended March 31, 2010:

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income	$ 351,667	19,412,499	$ .02
Less preferred stock dividends	(16,636)		
Earnings per share - basic			
Income available to common stockholders	335,031		.02
Effect of dilutive securities			
Options		257,250	
Convertible preferred stock	16,636	366,666	
Diluted earnings per share			
Income available to common stockholders and assumed conversions	$ 351,667	20,036,415	$ .02

The following table sets forth the calculation of basic and diluted earnings per share for the three-month period ended March 31, 2011:

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income	$ 368,012	19,422,650	$ .02
Less preferred stock dividends	(24,953)		
Earnings per share - basic			
Income available to common stockholders	343,059		.02
Effect of dilutive securities			
Options		328,895	
Convertible preferred stock	24,953	366,666	
Diluted earnings per share			
Income available to common stockholders and assumed conversions	$ 368,012	20,118,211	$ .02

Note 4 - The Company is a Defendant in a lawsuit styled Kari Heyser, Fred Eric Heyser and Meck Enterprises, LLC, et al v. Noble Roman's, Inc. et al, filed in Superior Court in Hamilton County, Indiana on June 19, 2008 (Cause No. 29D01 0806 PL 739). The Court issued an Order dated December 23, 2010 granting summary judgment in favor of the Company against all of the Plaintiffs on their fraud claims. As a result, the Plaintiffs' allegations of fraud against the Company and certain of its officers were determined to be without merit. The Company's counter-claims against the Plaintiffs for breach of contract remain pending.

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

The Plaintiffs allege that the Defendants fraudulently induced them to purchase franchises for traditional locations through misrepresentations and omissions of material facts regarding the franchises. As relief, the Plaintiffs sought compensatory and punitive damages in addition to court costs and/or prejudgment interest. The Plaintiffs that remained in the case, following the voluntary and involuntary dismissals described above, claimed actual damages in the amount of $5.1 million.

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

In addition to the above actual fraud claims, one group of franchisee-Plaintiffs asserted a separate claim under the Indiana Franchise Act. The Court's December 23, 2010 Order denied the Company's motion for summary judgment as to the Indiana Franchise Act claim finding the existence of a genuine issue of material

fact and did not render any opinion on the merits of that claim. The Company denies liability on this claim and will continue to vigorously prosecute its defenses against this claim.

The Plaintiffs have filed a motion with the Court asking it to correct errors and to reconsider the Order for summary judgment. The Company has opposed that motion and a ruling by the Court remains pending.

Note 5: The Company evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission. There were no subsequent events that required recognition or disclosure.

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

Introduction

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

Noble Roman's Pizza

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

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

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

Noble Roman's Take-N-Bake Pizza

In September 2009, the Company introduced a take-n-bake version of its pizza as an addition to its menu offerings. The Company uses the same high-quality pizza ingredients for its take-n-bake product as with its standard pizza, with slight modifications to portioning for increased home baking performance. The take-n-bake pizza is designed as an add-on component for new and existing convenience store franchises, and as a stand-alone offering for grocery stores. Since adding this component in September 2009, the Company has signed agreements for 630 grocery store locations to operate the take-n-bake pizza program. The Company is also in discussions with several other grocery store owners. The Company expects the number of grocery store locations operating the take-n-take program to increase substantially over the remainder of the year. The take-n-bake program has also been integrated into the operations of several existing convenience store franchises, 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.

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

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.

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

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The Company offers new, non-traditional franchisees the opportunity to open with both take-n-bake pizza and grab-n-go subs when they acquire a dual-branded franchise or license. Additionally, through changes in the menu, operating systems and equipment structure, the Company is now able to offer dual Noble Roman's Pizza and Tuscano's Grab-N-Go Subs franchises at less than 50% of the investment cost compared to the previous offering.

Business Strategy

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

Sales of Non-Traditional Franchises and Licenses. The Company believes that it has an opportunity for increasing unit growth and revenue within its non-traditional venues such as hospitals, military bases, universities, convenience stores, grocery stores, attractions, entertainment facilities, casinos, airports, travel plazas, office complexes and hotels. The Company's franchises in non-traditional locations are foodservice providers within a host business, and usually require a minimal investment compared to a stand-alone franchise. Non-traditional franchises or licenses are most often sold into pre-existing facilities as a service and/or revenue enhancer for the underlying business. Although the Company's current focus is on non-traditional franchise or license expansion, the Company will still seek to capitalize on other franchising opportunities as they present themselves.

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

Licensing the Company's Take-N-Bake Program. In September 2009, the Company introduced a take-n-bake pizza as an addition to its menu offering. The take-n-bake pizza is designed as an add-on component for new and existing convenience store franchisees or licensees and as a stand-alone offering for grocery stores. Since September 2009 when the Company started offering take-n-bake pizza to grocery store chains through May 4, 2011, the Company has signed agreements with 630 grocery store locations to operate the take-n-bake pizza program and has opened take-n-bake pizza in 488 locations. The Company is in discussions with several other grocery store owners. To supplement the take-n-bake pizza offering, at the beginning of 2011, the Company introduced five carton-to-shelf retail items that require no assembly at the grocery store and make a great complement to the take-n-bake program. These five items are Noble Roman's Pasta Sauce, Noble Roman's Flavor-Aged Parmesan Cheese, Noble Roman's Deep-Dish Lasagna with Italian Sausage, Noble Roman's Spicy Cheese Sauce and Noble Roman's Cheesy Stix. In addition to being a complement to the take-n-bake program, these five products are being offered to all grocery stores and, unlike the take-n-bake program which requires a supply agreement to help control quality because the pizzas are assembled in the grocery store deli departments, these products require no agreement.

In an attempt to accelerate the growth of take-n-bake pizza in grocery stores, the Company has been focusing on signing agreements with various grocery store distributors to market the take-n-bake pizza program to the distributor's current customer base. On July 19, 2010, the Company signed an agreement with a grocery store distributor headquartered in California and we now have 163 take-n-bake agreements with their customers. On October 13, 2010, the Company signed an agreement with a grocery store distributor in Wisconsin, however, they did not stock their warehouse until February 1, 2011. The Company now has 25 take-n-bake agreements with their customers. On January 13, 2011, the Company signed an agreement with a grocery store distributor headquartered in Connecticut. The Company now has 61 take-n-bake locations with their customers.

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On March 28, 2011, the Company signed an agreement with a grocery store distributor in Oklahoma. The Company now has 66 take-n-bake agreements with their customers. On March 30, 2011, the Company signed an agreement with a grocery store distributor in Utah. The Company now has 16 take-n-bake agreements with their customers. On April 12, 2011, the Company signed an agreement with a grocery store distributor in Pennsylvania, however, they will not be stocking their warehouse until the end of May 2011. The Company is currently in discussion with a number of other grocery store distributors and expects to sign agreements with some of them in the next few weeks.

Maintain Superior Product Quality. The Company believes that the quality of its products will contribute to the growth of its non-traditional locations. Every ingredient and process was designed with a view to producing superior results. The menu items were developed to be delivered in a ready-to-use form requiring only on-site assembly and baking except for take-n-bake pizza which is sold to bake at home, and the new carton-to-shelf retail items which require no assembly. The Company believes this process results in products that are great tasting, quality consistent, easy to assemble, and relatively low in food cost and that require very low amounts of labor, which allows for a significant competitive advantage due to the speed at which its products can be prepared, baked and served to customers.

Financial Summary

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

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The following table sets forth the percentage relationship to total revenue of the listed items included in Noble Roman's consolidated statements of operations for the three-month periods ended March 31, 2010 and 2011, respectively.

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2011
Royalties and fees	93.2 %	92.9 %
Administrative fees and other	.4	.5
Restaurant revenue	6.4	6.6
Total revenue	100.0 %	100.0 %
Operating expenses:		
Salaries and wages	13.7	13.1
Trade show expense	4.3	5.0
Travel expense	2.1	2.6
Other operating expense	10.9	9.9
Restaurant expenses	6.3	6.6
Depreciation and amortization	.8	.8
General and administrative	22.5	22.7
Total expenses	60.6	60.7
Operating income	39.4 %	39.3 %
Interest and other expense	6.2	5.5
Income before income taxes	33.2 %	33.8 %
Income tax expense	13.2	13.4
Net income	20.0 %	20.4 %

Results of Operations

Total revenue increased from $1,755,132 to $1,802,017 for the three-month period ended March 31, 2011 compared to the corresponding period in 2010. One-time fees, franchisee fees and equipment commissions decreased during this period from $123,684 in the first quarter 2010 to $62,625 in the first quarter of 2011. Ongoing royalties and fees increased from $1,511,972 to $1,609,163 for the three-month period ended March 31, 2010 and March 31, 2011, respectively. Of this increase, $238,222 resulted from an increase in ongoing royalties and fees from grocery store take-n-bake additions and $55,228 from an increase in ongoing royalties and fees from non-traditional franchises other than grocery stores. These increases were partially offset by a decrease in ongoing royalties and fees from traditional locations.

Restaurant revenue increased from $113,226 to $118,852 for the three-month period ended March 31, 2011 compared to the corresponding period in 2010. This increase was a result of same store sales increases.

Salaries and wages decreased from 13.7% of total revenue to 13.1% of total revenue for the three-month period ended March 31, 2011 compared to the corresponding period in 2010. This decrease was the result of the Company's strategy to grow by concentrating its efforts on franchising and licensing non-traditional locations plus the small increase in total revenue. Actual salaries and wages decreased from $240,388 to $237,644.

Trade show expenses increased from 4.3% of total revenue to 5.0% of total revenue for the three-month period ended March 31, 2011 compared to the corresponding period in 2010. This increase was the result of scheduling more trade shows for grocery stores. Trade show expenses were $75,139 in the three-month period ended March 31, 2010 compared to $90,000 in the corresponding period in 2011.

Travel expenses increased from 2.1% of total revenue to 2.6% of total revenue for the three-month period ended March 31, 2011 compared to the corresponding period in 2010. Actual travel expense increased from $36,239 to $46,885 for the three-month period ended March 31, 2011 compared to the corresponding period in 2010. These increases were the result of opening 101 take-n-bake locations in grocery stores throughout the country in the first quarter of 2011 compared to 37 locations in the corresponding period of 2010.

Other operating expenses decreased, as a percentage of total revenue, from 10.9% to 9.9% for the three-month period ended March 31, 2011 compared to the corresponding period in 2010. Actual operating expenses decreased from $190,515 to $178,942. The reduction in operating expenses was a result of the Company's continuing efforts to control costs.

Restaurant expenses increased as a percentage of total revenue from 6.3% to 6.6% for the three-month period ended March 31, 2011 compared to the corresponding period in 2010. Actual restaurant operating expenses increased from $111,749 to $118,564. The Company only operates two restaurants which it is uses for demonstration, training and testing purposes.

General and administrative expenses increased as a percentage of total revenue from 22.5% to 22.7% for the three-month period ended March 31, 2011 compared to the corresponding period in 2010. Actual general and administrative expense increased from $394,804 to $408,388 for the three-month period ended March 31, 2011 compared to the corresponding period in 2010. These increases were primarily the result of additional directors' fees as a result of increasing the number of directors.

Total expenses increased as a percentage of total revenue from 60.6% to 60.7%

for the three-month period ended March 31, 2011 compared to the corresponding period in 2010. Actual expenses increased from $1,063,406 to $1,093,972 for the three-month period ended March 31, 2011 compared to the corresponding period in 2010. These increases were primarily the result of the increase in trade show expense and travel expenses due to more openings. The Company opened a total of 106 locations in the first quarter of 2011 compared to a total of 54 locations in the first quarter of 2010.

Operating income decreased as a percentage of total revenue from 39.4% to 39.3% for the three-month period ended March 31, 2011 compared to the corresponding period in 2010. Actual operating income increased from $691,725 to $708,045 for the three-month period ending March 31, 2011 compared to the corresponding period in 2010.

Interest expense decreased as a percentage of total revenue from 6.2% to 5.5% for the three-month period ended March 31, 2011 compared to the corresponding period in 2010. This decrease was primarily the result of a decrease in notes payable outstanding.

Net income increased from $351,667 to $368,012 for the three-month period ended March 31, 2011 compared to the corresponding period in 2010.

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Liquidity and Capital Resources

The Company's current strategy is to grow its business by concentrating on franchising new non-traditional locations, licensing convenience stores to add Noble Roman's to their locations pursuant to a license agreement, licensing grocery stores to sell take-n-bake pizza and to sell retail products through grocery stores. The Company has developed a licensing concept for convenience stores, take-n-bake pizza for grocery stores and other retail products to sell through grocery stores all as a means to accelerate non-traditional unit growth and as a way to increase revenue without any significant increase in expenses. Additionally, the Company does not operate any restaurants except for two locations for testing and demonstration purposes. This strategy requires limited overhead and operating expense and does not require significant capital investment.

The Company's current ratio was 1.2-to-1 on March 31, 2011 compared to 1.4-to-1 on December 31, 2010.

At various times, Paul W. Mobley, the Company's Chairman of the Board and Chief Executive Officer, made advances to the Company to help fund principal payments due under its bank loan and payments related to discontinued operations. The payments related to the discontinued operations were largely for legal fees related to the Heyser lawsuit, which is described in Note 4 to the accompanying unaudited condensed consolidated financial statements in this report and in Note 10 of the Company's consolidated financial statements included in its Form 10-K for the year ended December 31, 2010. The Company issued a note in the principal amount of $905,821 to reflect the advances. The note provides for interest at the rate of 8% per annum to be paid monthly on the unpaid principal balance of the note beginning December 1, 2010, and continuing on the first day of each calendar month thereafter until the note is paid in full and the Company is current on the required interest payments. In addition, the note requires principal payments commencing on August 1, 2011 and on the first day of each calendar month thereafter up to and including March 1, 2012 in the amount of $100,000 per month, however the Third Amendment (described below) provides that these payments cannot commence until the deferred payments to the bank are paid. The remaining outstanding principal and accrued interest is due to be paid on

April 1, 2012.

On November 9, 2010, the Company entered into a Second Amendment to Loan Agreement (the "Second Amendment") with Wells Fargo that amended the existing Loan Agreement between the Company and Wells Fargo. Pursuant to the Amendment, Wells Fargo agreed to defer principal payments on the outstanding notes payable to the bank for the months of October through December 2010. On March 10, 2011 the Company executed a Third Amendment to the Loan Agreement with Wells Fargo Bank (the "Third Amendment") reducing principal payments to $25,000 per month for March and April 2011. The Third Amendment further provides that those deferred payments are to be made up with an additional $75,000 in principal per month from July 1, 2011 through September 1, 2011, an additional $100,000 in principal per month for October 1, 2011 and November 1, 2011, and an additional $150,000 in principal for December 1, 2011. In addition, the interest rate under the note payable was changed from LIBOR plus 3.75% per annum to LIBOR plus 4.25% per annum.

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

In February 2008, the Company elected to trade its previous swap contract for a new swap contract fixing the rate on 50% of the principal balance under the Company's loan agreement, as amended (approximately $1.750 million as of May 6, 2011), at an annual interest rate of 8.2%.

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

Forward Looking Statements

The statements contained above in Management's Discussion and Analysis concerning the Company's future revenues, profitability, financial resources, market demand and product development are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) relating to the Company that are based on the beliefs of the management of the Company, as well as assumptions and estimates made by and information currently available to the Company's management. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment, including, but not limited to market acceptance of recently introduced products, competitive factors and pricing pressures, the current litigation with certain former traditional franchisees, non-renewal of franchise agreements, shifts in market demand, general economic conditions and other factors including, but not limited to, changes in demand for the Company's products or franchises, the success or failure of individual franchisees and changes in prices or supplies of food ingredients and labor as well as the factors discussed under "Risk Factors" as contained in this annual report. In addition, the Company has no previous experience selling its products to retail channels and there can be no assurance that grocers will stock them or that customers will buy them. Should one or more of these risks or uncertainties materialize, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to interest rate risk relates primarily to its variable-rate debt. As of March 31, 2011, the Company had outstanding interest-bearing debt in the aggregate principal amount of $4.2 million. The Company's current borrowings are at a variable rate tied to the London Interbank Offered Rate ("LIBOR") plus 4.25% per annum adjusted on a monthly basis. To mitigate interest rate risk, the Company purchased a swap contract fixing the rate on 50% of the principal balance outstanding at 8.2%. Based upon the principal balance outstanding as of May 6, 2011 of $4.2 million for each 1.0% increase in LIBOR, the Company would incur increased interest expense of approximately $16 thousand over the succeeding twelve-month period.

ITEM 4. Controls and Procedures

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

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PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

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

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

The Plaintiffs allege that the Defendants fraudulently induced them to purchase franchises for traditional locations through misrepresentations and omissions of material facts regarding the franchises. As relief, the Plaintiffs sought compensatory and punitive damages in addition to court costs and/or prejudgment interest. The Plaintiffs that remained in the case, following the voluntary and involuntary dismissals described above, claimed actual damages in the amount of $5.1 million.

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

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

The Plaintiffs have filed a motion with the Court asking it to correct errors and to reconsider the Order for summary judgment. The Company has opposed that motion and a ruling by the Court remains pending.

ITEM 6. Exhibits.

(a) Exhibits: See Exhibit Index appearing on page 19.

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SIGNATURES

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

NOBLE ROMAN'S, INC.

Date: May 10, 2011

By: /s/ Paul W. Mobley

Paul W. Mobley, Chairman of the Board and Chief Financial Officer
(Authorized Officer and Principal Financial Officer)

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Index to Exhibits

Exhibit

3.1	Amended Articles of Incorporation of the Registrant, filed as an exhibit to the Registrant's Amendment No. 1 to the Post Effective Amendment No. 2 to Registration Statement on Form S-1 filed July 1, 1985 (SEC File No.2-84150), is incorporated herein by reference.
3.2	Amended and Restated By-Laws of the Registrant, as currently in effect, filed as an exhibit to the Registrant's Form 8-K filed December 24, 2009, is incorporated herein by reference.
3.3	Articles of Amendment of the Articles of Incorporation of the Registrant effective February 18, 1992 filed as an exhibit to the Registrant's Registration Statement on Form SB-2 (SEC File No. 33-66850), ordered effective on October 26, 1993, is incorporated herein by reference.
3.4	Articles of Amendment of the Articles of Incorporation of the Registrant effective May 11, 2000, filed as Annex A and Annex B to the Registrant's Proxy Statement on Schedule 14A filed March 28, 2000, is incorporated herein by reference.
3.5	Articles of Amendment of the Articles of Incorporation of the Registrant effective April 16, 2001 filed as Exhibit 3.4 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.
3.6	Articles of Amendment of the Articles of Incorporation of the Registrant effective August 23, 2005, filed as Exhibit 3.1 to the Registrant's current report on Form 8-K filed August 29, 2005, is incorporated herein by reference.
4.1	Specimen Common Stock Certificates filed as an exhibit to the Registrant's Registration Statement on Form S-18 filed October 22, 1982 and ordered effective on December 14, 1982 (SEC File No. 2-79963C), is incorporated herein by reference.
4.2	Form of Warrant Agreement filed as Exhibit 4.1 to the Registrant's current report on Form 8-K filed August 29, 2005, is incorporated herein by reference.
10.1	Employment Agreement with Paul W. Mobley dated January 2, 1999 filed as Exhibit 10.1 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.
10.2	Employment Agreement with A. Scott Mobley dated January 2, 1999 filed as Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.
10.3	1984 Stock Option Plan filed with the Registrant's Form S-8 filed November 29, 1994 (SEC File No. 33-86804), is incorporated herein by reference.

10.4	Noble Roman's, Inc. Form of Stock Option Agreement filed with the Registrant's Form S-8 filed November 29, 1994 (SEC File No. 33-86804), is incorporated herein by reference.

10.5	Loan Agreement with Wells Fargo Bank, N.A. dated August 25, 2005 filed as Exhibit 10.1 to the Registrant's current report on Form 8-K filed August 29, 2005, is incorporated herein by reference.
10.6	First Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated February 4, 2008, filed as Exhibit 10.1 to the Registrant's report on Form 8-K filed February 8, 2008, is incorporated herein by reference.
10.7	Second Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated November 10, 2010, filed as Exhibit 10.7 to the Registrant's current report on Form 10-Q filed on November 10, 2010, is incorporated herein by reference.
10.8	Third Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated March 10, 2011, filed as Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010, is incorporated herein by reference.
10.9	Promissory Note payable to Paul Mobley dated November 1, 2010, filed as Exhibit 10.8 to the Registrant's current report on Form 10-Q filed on November 10, 2010, is incorporated herein by reference.
21.1	Subsidiaries of the Registrant filed in the Registrant's Registration Statement on Form SB-2 (SEC File No. 33-66850) ordered effective on October 26, 1993, is incorporated herein by reference.
31.1	C.E.O. and C.F.O. Certification under Rule 13a-14(a)/15d-15(e).
32.1	C.E.O. and C.F.O. Certification under Section 1350.