NOBLE ROMANS INC
Form 10-Q
November 12, 2008

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

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2008

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 800 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

As of November 6, 2008, there were 19,212,499 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, 2007	September 2008
Current assets:		
Cash	$ 832,207	$ 1,515,
Accounts and notes receivable (net of allowances of $106,712 as of December 31, 2007 and September 30, 2008)	1,770,994	2,275,
Inventories	310,362	365,
Assets held for resale	643,915	2,106,
Prepaid expenses	175,022	405,
Current portion of long-term notes receivable	133,736	
Deferred tax asset - current portion	1,971,875	1,050,
Total current assets	5,838,111	7,718,
Property and equipment:		
Equipment	1,289,795	1,410,
Leasehold improvements	107,729	110,
	1,397,524	1,520,
Less accumulated depreciation and amortization	755,987	835,
Net property and equipment	641,537	685,
Deferred tax asset (net of current portion)	9,106,008	9,501,
Other assets including long-term portion of notes receivable net of		

valuation allowances of $550,000 as of December 31, 2007 and September 30, 2008	1,883,644	2,157,
Total assets	$17,469,300	$20,062,
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 532,263	$ 216,
Current portion of long-term note payable	1,500,000	1,500,
Total current liabilities	2,032,263	1,716,
Long-term obligations:		
Note payable to bank (net of current portion)	4,125,000	6,000,
Total long-term liabilities	4,125,000	6,000,
Stockholders' equity:		
Common stock - no par value (25,000,000 shares authorized, 19,187,449 issued and outstanding as of December 31, 2007 and 19,212,499 issued and outstanding as of September 30, 2008)	22,905,617	22,967,
Preferred stock (5,000,000 shares authorized and 20,625 issued and outstanding as of December 31, 2007 and September 30, 2008)	800,250	800,
Accumulated deficit	(12,393,830)	(11,421,
Total stockholders' equity	11,312,037	12,346,
Total liabilities and stockholders' equity	$17,469,300	$20,062,

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 September 30, 2007	Three Months Ended September 30, 2008	Nine Mon Septe 2007
Royalties and fees	$2,679,313	$1,825,168	$8,051,953
Administrative fees and other	18,581	10,880	55,567
Restaurant revenue	261,428	375,907	787,288
Total revenue	2,959,322	2,211,955	8,894,808
Operating expenses:			
Salaries and wages	422,161	344,763	1,221,773
Trade show expense	138,197	121,814	412,030
Travel expense	172,328	109,940	374,089
Sales commissions	108,988	12,022	466,567
Other operating expenses	253,909	225,253	701,255
Restaurant expenses	240,311	363,638	729,743

Depreciation and amortization	24,359	21,060	70,066
General and administrative	400,735	400,955	1,249,151
Operating income	1,198,334	612,510	3,670,134
Interest and other expense	163,237	150,678	503,962
Income before income taxes	1,035,097	461,832	3,166,172
Income tax expense	341,442	157,023	1,066,006
Net income	693,655	304,809	2,100,166
Cumulative preferred dividends	34,864	16,455	110,481
Net income available to common stockholders	$ 658,791	$ 288,354	$1,989,685
Earnings per share- basic:			
Net income	$ .04	$ .02	$ .12
Net income available to common stockholders	$ .04	$ .02	$ .12
Weighted average number of common shares outstanding	18,208,358	19,212,499	17,301,043
Diluted earnings per share:			
Net income	$ .03	$ .02	$ .10
Weighted average number of common shares outstanding	21,100,540	19,937,218	20,193,225

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	Tot
Balance at December 31, 2007	$ 800,250	19,187,449	$22,905,617	$(12,393,830)	$11,31
Net income for nine months ended September 30, 2008				1,021,547	1,02
Cumulative preferred dividends				(49,545)	(4
Amortization of value of employee stock options			37,341		3
Exercise of employee stock options		15,000	12,450		1
Exercise of warrants	-	10,000	12,500	-	1

Balance at September 30, 2008	$ 800,250	19,212,449	$22,967,908	$(11,421,828)	$12,34

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2007	2008
OPERATING ACTIVITIES		
Net income	$2,100,166	$1,021,547
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	141,379	146,410
Deferred federal income taxes	1,066,006	526,251
Changes in operating assets and liabilities:		
Increase in:		
Accounts and notes receivable	(607,486)	(504,094)
Inventories	(6,255)	(55,138)
Prepaid expenses	(306,596)	(230,651)
Other assets	(56,095)	(130,060)
Decrease in:		
Accounts payable	(49,236)	(277,764)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,281,883	496,501
INVESTING ACTIVITIES		
Purchase of property and equipment	(98,851)	(123,149)
Assets held for resale	(21,410)	(1,451,373)
NET CASH USED BY INVESTING ACTIVITIES	(120,261)	(1,574,522)
FINANCING ACTIVITIES		
Payment of obligations from discontinued operations	(682,604)	(198,304)
Payment of cumulative preferred dividends	(110,481)	(49,545)
Payment of principal on outstanding debt	(1,125,000)	(1,125,000)
Payments received on long-term notes receivable	139,510	133,735
Proceeds from additional bank borrowings	-	2,975,024
Proceeds from the exercise of stock options and warrants	227,821	24,950
NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES	(1,550,754)	1,760,860

Increase in cash	610,868	682,839
Cash at beginning of period	920,590	832,207
Cash at end of period	$1,531,458	$1,515,046

Supplemental schedule of non-cash investing and financing activities

None.

Cash paid for interest	$ 465,132	$ 430,272

See accompanying notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 - The interim condensed consolidated financial statements, included herein, are unaudited, but reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results of operations for the interim periods presented and the financial condition as of the dates indicated, which adjustments are of a normal recurring nature. The results for the nine-month period ended September 30, 2008 are not necessarily indicative of the results to be expected for the full year ending December 31, 2008.

Note 2 - Approximately $58,000 and $296,500 are included in royalty and fee income for the three-month and nine-month periods ended September 30, 2008, respectively, and approximately $320,000 and $1,076,000 are included in the three-month and nine-month periods ended September 30, 2007, respectively, for initial franchise fees. Approximately $106,610 and $313,682, and approximately $214,949 and $659,308 are included in royalty and fee income for the three-month and nine-month periods ended September 30, 2008 and 2007, respectively, for equipment commissions. In addition, included in royalties and fees were approximately $0 and $104,825, and $316,000 and $1,372,000, in the three-month and nine-month periods ended September 30, 2008 and 2007, respectively, for the sale of Area Development Agreements. Royalty and fee income, less initial franchise fees, equipment commissions and area development fees were $1,660,558 and $5,045,426, and $1,828,364 and $4,944,645 for the three-month and nine-month periods ended September 30, 2008 and 2007, respectively. During the three-month and nine-month periods ended September 30, 2008, 22 and 62, respectively, franchised units were opened. During the three-month and nine-month periods ended September 30, 2008, 22 and 52, respectively, franchised units were closed. The Company's ongoing royalty income is primarily paid electronically by the Company initiating a draft on the franchisee's account by electronic withdrawal. As such, the Company has no material amount of past due royalties.

Note 3 - The following table sets forth the calculation of basic and diluted earnings per share for the three-month and nine-month periods ended September 30, 2008:

	Three-Months Ended September 30, 2008		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount

Net income	$ 304,809	19,212,499	$ .02
Less preferred stock dividends	(16,455)		
Earnings per share - basic			
Income available to common stockholders	288,354		.02
Effect of dilutive securities			
Warrants		324,779	
Options		33,274	
Convertible preferred stock	16,455	366,666	
Diluted earnings per share			
Net income	$ 304,809	19,937,218	$ .02

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Nine-Months Ended September 30, 2008

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income	$1,021,547	19,203,647	$ .05
Less preferred stock dividends	(49,545)		
Earnings per share - basic			
Income available to common stockholders	972,002		.05
Effect of dilutive securities			
Warrants		324,779	
Options		33,274	
Convertible preferred stock	49,545	366,666	
Diluted earnings per share			
Net income	$1,021,547	19,928,366	$ .05

Note 4 - The Company is a Defendant in a lawsuit styled Kari Heyser, Fred Eric Heyser and Meck Enterprises, LLC, et al v. Noble Roman's, Inc. et al, filed in Superior Court in Hamilton County, Indiana in June 2008. The Plaintiffs in the case are Kari and Fred Heyser and Meck Enterprises, LLC, Shawn and Jamie White and Casual Concepts of Texas, LLC, Afifa Abdelmalek and St. Markorios Corporation, Robert and Kathleen Hopkins and Withmere Restaurants, LLC, John and Mariann Dunn and D & G Restaurant, LLC, Jason Clark and Nican Enterprises, LLC, Thomas A. Brintle and Noble Roman's Mt. Airy 100, LLC, Marikate and Paul Morris and Kapza, Inc., Kim Neal and Mopan Commerce, Inc., and Collett Eugene Harrington and Sazzip, LLC. The Defendants are the Company, Paul W. and A. Scott Mobley, Troy Branson, Mitch Grunat, CIT Small Business Lending Corporation and PNC Bank. The 10 Plaintiffs in the case are all former franchisees of the Company. The Plaintiffs allege that they purchased traditional franchises as a result of certain fraudulent representations by the Defendants and the omission of certain material facts regarding the franchises and seek compensatory and punitive damages. The Defendants filed a Motion To Dismiss the lawsuit in lieu of an answer to the Complaint. As a result, the Plaintiffs sought leave from the Court to file a First Amended Complaint, which the Court granted allowing the Plaintiffs until October 29, 2008 to file an Amended Complaint. Subsequently, the Plaintiffs filed a Motion For Extension Of Time, which the Court granted, to file the Amended Complaint until November 15, 2008. The Company believes that it has strong and meritorious legal and factual defenses to these claims and will vigorously defend its interests in this case. The Company has not yet filed an answer to the Complaint in the case and no substantive discovery has yet commenced.

The Company filed a Counter-Claim for Damages against all ten of the Plaintiffs and Preliminary Injunction and Permanent Injunction against nine of the Plaintiffs. In addition, the Company filed a Motion For Preliminary Injunction against nine of the Plaintiffs, all of which are former franchisees and the Preliminary Injunction was granted on October 7, 2008. The nine Plaintiffs were ordered to comply within seven days for the majority of actions required by the injunction and within 14 days for the remainder. None of the Plaintiffs fully complied with the Court's Order and the Company believes several of them only minimally complied. Defendants are in the process of filing a motion to require full compliance, to show cause why they should not be held in contempt and for attorney's fees as sanctions.

ITEM 2. 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" and "Noble Roman's Bistro". These concepts' hallmarks 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 produce superior results. Here are a few of the differences that we believe make our product 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 for non-traditional locations.
- 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 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 in an independent national network that allows the Company to service franchisees throughout the country. This process results in products that are great tasting, quality consistent, easy to assemble, relatively low in food cost and require very low amounts of labor.

Tuscano's Italian Style Subs

Tuscano's Italian Style Subs is a separate restaurant concept with an Italian-themed menu 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. 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 non-traditional locations that do not have a Noble Roman's Pizza franchise. However, in the traditional stand-alone locations we only sell franchises for Noble Roman's Pizza/Tuscano's Subs together as a dual-branded concept.

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, the thematic menu selections and serving options, high quality meats, and generous yet cost-effective quality sauces and spreads. Tuscano's was designed to be premium quality, simple to operate and cost-effective.

Noble Roman's Bistro

Noble Roman's Bistro is a new, 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 new SuperSlice pizza, one-fourth of a large pizza, along with hot entrees such as chicken parmesan, baked penne casseroles, breadsticks and calzones plus fresh salads and snacks. The Bistro is also available with an optional breakfast expansion menu featuring hot plate combos with scrambled eggs, bacon, sausage, breakfast potatoes, pancakes, French toast sticks, biscuits and gravy and biscuit sandwiches. Customers move along the food display counter and are served to order as they go.

Business Strategy

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

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

To augment the Company's sales opportunities within non-traditional venues, it recently developed the Noble Roman's Bistro service system described above. As an addition to the current service systems offered in its Noble Roman's Pizza and Tuscano's Italian Style Subs concepts, the Bistro is designed to appeal to additional types of businesses and operational objectives with its fresh food display and serve-to-order serving system. Though sometimes presented or packaged differently, the vast 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.

With the intensified focus on non-traditional franchising, the Company's requirements for overhead and operating cost will be substantially less. In addition, the Company plans to discontinue operating restaurants which will also substantially reduce the Company's requirements for overhead and operating cost. However, the Company does intend to continue operating the two locations that it uses for testing and demonstration purposes and intends to sell the excess restaurants to be operated as franchises. This change will allow for a more complete focus on selling and servicing franchises to take full advantage of the unique opportunity the Company believes it has for increased unit growth in non-traditional. After making these changes, according to the Company's plan, it is anticipated that the Company will generate cash flow of approximately $3.6 million, before principal payments on debt of $1.5 million in 2009 and net income for 2009 of approximately $2.3 million, or $.12 per basic share.

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

Financial Summary

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

The following table sets forth the percentage relationship to total revenue of the listed items included in Noble Roman's consolidated statements of operations for the three-month and nine-month periods ended September 30, 2007 and 2008, respectively.

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2008
Royalties and fees	90.6 %	82.5 %	90.5 %	82.5 %
Administrative fees and other	.6	.5	.6	.6
Restaurant revenue	8.8	17.0	8.9	16.9
Total revenue	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:				
Salaries and wages	14.3	15.6	13.7	15.4
Trade show expense	4.7	5.5	4.6	5.2
Travel expense	5.8	5.0	4.2	4.8
Sales commissions	3.7	.5	5.2	.8
Other operating expense	8.6	10.2	7.9	10.0
Restaurant expenses	8.1	16.4	8.3	16.1
Depreciation and amortization	.8	1.0	.8	1.0
General and administrative	13.5	18.1	14.0	17.9
Operating income	40.5 %	27.7 %	41.3 %	28.8 %
Interest and other expense	5.5	6.8	5.7	6.7
Income before income taxes	35.0	20.9	35.6	22.1
Income tax expense	11.5	7.1	12.0	7.5
Net income	23.5 %	13.8 %	23.6 %	14.6 %

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Results of Operations

Noble Roman's, Inc. and Subsidiaries

Results of Operations - Three-Month and Nine-Month Periods Ended September 30, 2007 and 2008

Total revenue decreased from $2,959,322 to $2,211,955 and from $8,894,808 to $6,987,432 for the three-month and nine-month periods ended September 30, 2008, respectively, compared to the corresponding periods in 2007. These decreases were a result of selling fewer franchises, less equipment commissions and less Area Development Agreements in both the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007. This decline in initial fees was the result of refocusing our growth strategy to take a more disciplined approach to Area Development Agreements and the poor economic environment as to franchise fees and equipment commissions.

Initial franchise fees of approximately $58,000 and $296,500 were included in royalty and fee income for the three-month and nine-month periods ended September 30, 2008, respectively, and approximately $320,000 and $1,076,000 were included in the three-month and nine-month periods ended September 30, 2007, respectively. Equipment commissions of approximately $106,610 and $313,682, and approximately $214,949 and $659,308 were included in royalty and fee income for the three-month and nine-month periods ended September 30, 2008 and 2007, respectively. We did not generate any fees from sales of Area Development Agreements in the third quarter of 2008, while such fees included in royalties and fees were approximately $104,825 in the nine-month period ended September 30, 2008 and $316,000 and $1,372,000, in the three-month and nine-month periods ended September 30, 2007, respectively. Royalty and fee income, less initial franchise fees, equipment commissions and area development fees were $1,660,558 and $5,045,426, and $1,828,364 and $4,944,645 for the three-month and nine-month periods ended September 30, 2008 and 2007, respectively.

Restaurant revenues increased from approximately $261,428 to $375,907 and $787,288 to $1,179,427 for the three-month and nine-month periods ended September 30, 2008, respectively, compared to the corresponding periods in 2007. The Company only intends to operate two restaurants to be used for testing and demonstration purposes, but from time to time temporarily operates others until a suitable franchisee is located. Restaurant revenue increased because the Company was operating more restaurants in the three-month and nine-month periods ended September 30, 2008 than in the corresponding periods in 2007.

Prior to December 31, 2008 the Company plans to discontinue operating any restaurants, except for the two restaurants that the Company operates for testing and demonstration purposes, which may result in the Company incurring a loss on disposition of the assets held for resale.

Salaries and wages increased from 14.3% of total revenue to 15.6% of total revenue and from 13.7% of total revenue to 15.4% of total revenue, respectively, for the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007. These increases were the result of the decrease in revenue, as discussed above. The actual expense decreased from $422,161 to $344,763 and from $1,221,773 to $1,074,862 for the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007. In April 2008, the Company took action to reduce salaries and wages as a result of the slower growth of new franchises and is currently taking action to further reduce salaries and wages for 2009.

Trade show expenses increased from 4.7% of total revenue to 5.5% of total revenue and 4.6% of total revenue to 5.2% of total revenue, respectively, for the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007. These increases were the result

of the decrease in revenue, while the actual amount of trade show expense decreased slightly in both the three-month and nine-month periods in 2008 compared to 2007.

Travel expenses decreased from 5.8% of total revenue to 5.0% of total revenue and for the three-month period ended September 30, 2008 compared to the corresponding period in 2007. Travel expenses increased from 4.2% of total revenue to 4.8% of total revenue for the nine-month period ended September 30, 2008 compared to the corresponding period in 2007. This increase was the result of a decrease in revenue as described above. The actual amount of travel expenses decreased $172,328 to $109,940 and from $374,089 to $332,572 for the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007. The primary reason for the decrease in travel expense was opening fewer units, thus using fewer franchise managers, and shorter visits because of not as much training for new franchise openings.

Sales commissions decreased from 3.7% of total revenue to .5% of total revenue and 5.2 % of total revenue to .8% of total revenue, respectively, for the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007. These decreases were the result of fewer franchise sales and Area Development Agreement sales.

Other operating expenses increased, as a percentage of total revenue, from 8.6% of total revenue to 10.2% of total revenue and 7.9% of total revenue to 10.0% of total revenue, respectively, for the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007. These increases were primarily the result of the decrease in revenue. Actual operating expenses decreased from $253,909 to $225,253 and from $701,255 to $697,784, respectively, for the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007.

Restaurant expenses increased as a percentage of total revenue from 8.1% of total revenue to 16.4% of total revenue and 8.3% of total revenue to 16.1% of total revenue, respectively, for the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007. These increases were primarily a result of an increase in the number of restaurants operated by the Company while total revenues decreased. The Company only intends to operate two restaurants to be used for testing and demonstration purposes, but from time to time temporarily operates others until a suitable franchisee is located.

General and administrative expenses increased as a percentage of total revenue from 13.5% of total revenue to 18.1% of total revenue and 14.0% of total revenue to 17.9% of total revenue, respectively, for the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007. These increases were the result of the decrease in total revenue. The actual amount of the general and administrative expense remained approximately the same in both the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007.

Operating income decreased as a percentage of total revenue from 40.5% of total revenue to 27.7% of total revenue and 41.3% of total revenue to 28.8% of total revenue, respectively, for the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007. The primary reason for these decreases was the decrease in total revenue. Actual operating expenses, excluding restaurant expenses, decreased by approximately $284,870 and $652,908 for the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007.

Interest expense increased as a percentage of total revenue from 5.5% of total revenue to 6.8% of total revenue and 5.7% of total revenue to 6.7% of total revenue, respectively, for the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007. These increases were primarily the result of the decrease in revenue. The amount of interest decreased in both the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007. This decrease was the result of lower interest rates offset by the increased amount of debt outstanding due to the additional borrowing of $3 million in February 2008 offset by $1.5 million debt re-payments during the past 12 months.

Net income decreased from 23.5% of total revenue to 13.8% of total revenue and 23.6% of total revenue to 14.6% of total revenue, respectively, for the three-month and nine-month periods ended September 30, 2008 compared to the corresponding periods in 2007. These decreases in net income were primarily the result of the decrease in total revenue, partially offset by the decrease in operating expenses.

Liquidity and Capital Resources

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

In order to intensify focus on non-traditional franchising and get the Company out of operating restaurants, the Company intends to sell the excess restaurants to be operated as a franchise. After making these changes and reducing the overhead, according to the Company's plan, it is anticipated that the Company will generate cash flow of approximately $3.6 million, before principal payments on debt of $1.5 million in 2009 and net income for 2009 of approximately $2.3 million, or $.12 per basic share. The Company does not plan any significant capital expenditures in 2009.

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

On February 4, 2008, the Company and certain of its subsidiaries, entered into a First Amendment to Loan Agreement (the "Amendment") with Wells Fargo Bank, N.A. that amended the existing Loan Agreement dated August 25, 2005, between the Company and Wells Fargo (the "Loan Agreement"). Under the Amendment, Wells Fargo loaned the Company an additional $3.0 million. The Amendment also reduced the interest rate applicable to amounts borrowed under the Loan Agreement from LIBOR plus 4% per annum to LIBOR plus 3.75% per annum and extended the maturity date for borrowings under the loan from August 31, 2011 to August 31, 2013. Finally, the Amendment provides that the Company may repurchase shares of its common stock in such amounts and on such terms as are approved by the Company's board of directors from time to time, provided the aggregate purchase price of such repurchased shares shall not exceed $3.0 million. The Board has not yet approved any such share repurchases.

On February 6, 2008, the Company elected to trade its previous swap contract for a new swap contract fixing the rate on 50% of the principal balance under the Loan Agreement, as amended by the Amendment (approximately $4.2 million as of February 6, 2008), at an annual interest rate of 8.20%. This swap contract replaces the previously existing swap contract that fixed the interest rate on $3,000,000 of the outstanding principal balance under the Loan Agreement at an annual interest rate of 8.83% at the time it was replaced.

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

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to interest rate risk relates primarily to its variable-rate debt. As of September 30, 2008, the Company had outstanding interest-bearing debt in the aggregate principal amount of $7,500,000. The Company's current borrowings are at a monthly variable rate tied to the London Interbank Offered Rate ("LIBOR") plus 3.75% per annum adjusted on a monthly basis. To mitigate interest rate risk, the Company purchased a swap contract fixing the rate on 50% of the principal balance under the loan agreement, as amended by the Amendment until August 1, 2013, the maturity of the variable-rate debt, at an annual interest rate of 8.20%. Based upon the principal balance outstanding at September 30, 2008, for each 1.0% increase in LIBOR, the Company would incur increased interest expense of approximately $35,000 over the succeeding twelve-month period.

ITEM 4. Controls and Procedures

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

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

The Company is a Defendant in a lawsuit styled Kari Heyser, Fred Eric Heyser and Meck Enterprises, LLC, et al v. Noble Roman's, Inc. et al, filed in Superior Court in Hamilton County, Indiana in June 2008. The Plaintiffs in the case are Kari and Fred Heyser and Meck Enterprises, LLC, Shawn and Jamie White and Casual Concepts of Texas, LLC, Afifa Abdelmalek and St. Markorios Corporation, Robert and Kathleen Hopkins and Withmere Restaurants, LLC, John and Mariann Dunn and D & G Restaurant, LLC, Jason Clark and Nican Enterprises, LLC, Thomas A. Brintle and Noble Roman's Mt. Airy 100, LLC, Marikate and Paul Morris and Kapza, Inc., Kim Neal and Mopan Commerce, Inc., and Collett Eugene Harrington and Sazzip, LLC. The Defendants are the Company, Paul W. and A. Scott Mobley, Troy Branson, Mitch Grunat, CIT Small Business Lending Corporation and PNC Bank. The 10 Plaintiffs in the case are all former franchisees of the Company. The Plaintiffs allege that they purchased traditional franchises as a result of certain fraudulent representations by the Defendants and

the omission of certain material facts regarding the franchises and seek compensatory and punitive damages. The Defendants filed a Motion To Dismiss the lawsuit in lieu of an answer to the Complaint. As a result, the Plaintiffs sought leave from the Court to file a First Amended Complaint, which the Court granted allowing the Plaintiffs until October 29, 2008 to file an Amended Complaint. Subsequently, the Plaintiffs filed a Motion For Extension of Time, which the Court granted, to file the Amended Complaint until November 15, 2008. The Company believes that it has strong and meritorious legal and factual defenses to these claims and will vigorously defend its interests in this case. The Company has not yet filed an answer to the Complaint in the case and no substantive discovery has yet commenced.

The Company filed a Counter-Claim for Damages against all ten of the Plaintiffs and Preliminary Injunction and Permanent Injunction against nine of the Plaintiffs. In addition, the Company filed a Motion For Preliminary Injunction against nine of the Plaintiffs, all of which are former franchisees and the Preliminary Injunction was granted on October 7, 2008. The nine Plaintiffs were ordered to comply within seven days for the majority of actions required by the injunction and within 14 days for the remainder. None of the Plaintiffs fully complied with the Court's Order and the Company believes several of them only minimally complied. Defendants are in the process of filing a motion to require full compliance, show cause why they should not be held in contempt and for attorney's fees as sanctions.

The Company, from time to time, is involved in other litigation relating to claims arising out of its normal business operations. The Company has no other litigation against it at the current time.

ITEM 6. Exhibits.

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

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: November 10, 2008

By: /s/ Paul W. Mobley

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

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Index to Exhibits

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

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

3.4 Articles of Amendment of the Articles of Incorporation of the Registrant effective May 11, 2000, filed as Annex A and Annex B to the Registrant's Proxy Statement on Schedule 14A filed March 28, 2000, is incorporated herein by reference.

3.5 Articles of Amendment of the Articles of Incorporation of the Registrant effective April 16, 2001 filed as Exhibit 3.4 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.

3.6 Articles of Amendment of the Articles of Incorporation of the Registrant effective August 23, 2005, filed as Exhibit 3.1 to the Registrant's current report on Form 8-K filed August 29, 2005, is incorporated herein by reference.

4.1 Specimen Common Stock Certificates filed as an exhibit to the Registrant's Registration Statement on Form S-18 filed October 22, 1982 and ordered effective on December 14, 1982 (SEC File No. 2-79963C), is incorporated herein by reference.

4.2 Form of Warrant Agreement filed as Exhibit 4.1 to the Registrant's current report on Form 8-K filed August 29, 2005, is incorporated herein by reference.

10.1 Employment Agreement with Paul W. Mobley dated November 15, 1994 filed as Exhibit 10.1 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.

10.2 Employment Agreement with A. Scott Mobley dated November 15, 1994 filed as Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.

10.3 1984 Stock Option Plan filed with the Registrant's Form S-8 filed November 29, 1994 (SEC File No. 33-86804), is incorporated herein by reference.

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

10.5 Settlement Agreement with SummitBridge dated August 1, 2005, filed as Exhibit 99.2 to the Registrant's current report on Form 8-K filed August 5, 2005, is incorporated herein by reference.

10.6 Loan Agreement with Wells Fargo Bank, N.A. dated August 25, 2005 filed as Exhibit 10.1 to the Registrant's current report on Form 8-K filed August 29, 2005, is incorporated herein by reference.

10.7 First Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated February 4, 2008, filed as Exhibit 10.1 to the Registrant's report on Form 8-K filed February 8, 2008, is incorporated herein by reference.

10.8 Registration Rights Agreement dated August 1, 2005 between the Company and SummitBridge National Investments filed as Exhibit 10.7 to the Registrant's Registration Statement on Form S-1 (SEC file No. 333-133382) filed April 19, 2006, is incorporated herein by reference.

21.1 Subsidiaries of the Registrant filed in the Registrant's Registration Statement on Form SB-2 (SEC File No. 33-66850) ordered effective on October 26, 1993, is incorporated herein by reference.

31.1 C.E.O. and C.F.O. Certification under Rule 13a-14(a)/15d-15(e).

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