NOBLE ROMANS INC
Form 10-Q
May 14, 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 March 31, 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<br>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. (Check One):

| | | | |
|---|---|---|---|
| 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 9, 2008, there were 19,197,499 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 | March 31 2008 |
|---|---|---|
| Current assets: | | |
| Cash | $ 832,207 | $ 2,990,3 |
| Accounts and notes receivable (net of allowances of $106,712 as of December 31, 2007 and March 31, 2008) | 1,770,994 | 2,058,7 |
| Inventories | 310,362 | 329,7 |
| Assets held for resale | 643,915 | 1,182,5 |
| Prepaid expenses | 175,022 | 230,1 |
| Current portion of long-term notes receivable | 133,736 | 84,3 |
| Deferred tax asset - current portion | 1,971,875 | 1,588,0 |
| Total current assets | 5,838,111 | 8,463,7 |
| Property and equipment: | | |
| Equipment | 1,289,795 | 1,291,9 |
| Leasehold improvements | 107,729 | 107,7 |
| | 1,397,524 | 1,399,6 |
| Less accumulated depreciation and amortization | 755,987 | 782,7 |
| Net property and equipment | 641,537 | 616,8 |
| Deferred tax asset (net of current portion) | 9,106,008 | 9,324,2 |
| Other assets including long-term portion of notes receivable less allowances of $550,000 as of December 31, 2007 and March 31, 2008 | 1,883,644 | 1,936,3 |
| Total assets | $ 17,469,300 | $ 20,311,2 |

Liabilities and Stockholders' Equity

Current liabilities:

| | | |
|---|---|---|
| Accounts payable and accrued expenses | $ 532,264 | 455,2 |
| Current portion of long-term note payable | 1,500,000 | 1,500,0 |
| Total current liabilities | 2,032,264 | 1,955,2 |
| Long-term obligations: | | |
| Note payable to bank (net of current portion) | 4,125,000 | 6,750,0 |
| Total long-term liabilities | 4,125,000 | 6,750,0 |
| Stockholders' equity: | | |
| Common stock - no par value (25,000,000 shares authorized, 19,187,499 issued and outstanding as of December 31, 2007 and 19,197,499 issued and outstanding as of March 31, 2008) | 22,905,617 | 22,924,7 |
| Preferred stock (5,000,000 shares authorized and 20,625 issued and outstanding as of December 31, 2007 and March 31, 2008) | 800,250 | 800,2 |
| Accumulated deficit | (12,393,830) | (12,089,0 |
| Total stockholders' equity | 11,312,036 | 11,635,9 |
| Total liabilities and stockholders' equity | $ 17,469,300 | $ 20,341,2 |

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, 2007 | 2008 |
|---|---|---|
| Royalties and fees | $ 2,585,407 | $ 1,948,15 |
| Administrative fees and other | 18,347 | 13,44 |
| Restaurant revenue | 251,585 | 388,84 |
| Total revenue | 2,855,339 | 2,350,43 |
| Operating expenses: | | |
| Salaries and wages | 377,544 | 381,09 |
| Trade show expense | 137,786 | 123,47 |
| Travel expense | 79,239 | 113,58 |
| Sales commissions | 114,988 | 31,68 |
| Other operating expenses | 226,020 | 237,47 |
| Restaurant expenses | 234,407 | 374,42 |
| Depreciation and amortization | 21,347 | 25,31 |
| General and administrative | 425,032 | 422,30 |
| Operating income | 1,238,976 | 641,08 |
| Interest and other expense | 173,819 | 154,06 |
| Income before income taxes | 1,065,157 | 487,01 |

| | | |
|---|---|---|
| Income tax expense | 362,154 | 165,58 |
| Net income | 703,003 | 321,43 |
| Cumulative preferred dividends | 41,135 | 16,63 |
| Net income available to common stockholders | $ 661,868 | $ 304,79 |
| Earnings per share- basic: | | |
| Net income | $ .04 | $ .0 |
| Net income available to common stockholders | .04 | .0 |
| Weighted average number of common shares outstanding | 16,668,018 | 19,196,39 |
| Diluted earnings per share: | | |
| Net income | $ .04 | $ .0 |
| Weighted average number of common shares outstanding | 20,046,737 | 20,297,99 |

See accompanying notes to condensed consolidated financial statements.



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 | T |
|---|---|---|---|---|---|
| Balance at December 31, 2007 | $ 800,250 | 19,187,449 | $22,905,617 | $(12,393,830) | $11 |
| Net income for three months ended March 31, 2008 | | | | 321,431 | |
| Cumulative preferred dividends | | | | (16,636) | |
| Amortization of value of employee stock options | | | 6,658 | | |
| Exercise of warrants | - | 10,000 | 12,500 | - | |
| Balance at March 31, 2008 | $ 800,250 | 19,197,449 | $22,924,775 | $(12,089,035) | $11 |

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 3 | |
|---|---|---|
| | 2007 | 2008 |
| OPERATING ACTIVITIES | | |
| Net income | $ 703,003 | $ 321,4 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 45,788 | 45,4 |
| Deferred federal income taxes | 362,153 | 165,5 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts and notes receivable | (148,644) | (287,7 |
| Inventories | (457) | (19,3 |
| Prepaid expenses | (89,949) | (55,0 |
| Other assets | 135 | (4,6 |
| Decrease in: | | |
| Accounts payable | (109,673) | (43,3 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 762,356 | 122,3 |
| INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (51,398) | (2,1 |
| Investment in assets held for resale | (19,812) | (536,3 |
| NET CASH USED BY INVESTING ACTIVITIES | (71,210) | (538,4 |
| FINANCING ACTIVITIES | | |
| Payment of obligations from discontinued operations | (161,320) | (70,9 |
| Payment of cumulative preferred dividends | (41,135) | (16,6 |
| Payment of principal on outstanding debt | (375,000) | (375,0 |
| Payments received on long-term notes receivable | 45,580 | 49,3 |
| Proceeds from additional borrowing less issuance cost | - | 2,975,0 |
| Proceeds from the exercise of stock options and warrants | 2,920 | 12,5 |
| NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES | (528,956) | 2,574,2 |
| Increase in cash | 162,191 | 2,158,1 |
| Cash at beginning of period | 920,590 | 832,2 |
| Cash at end of period | $ 1,082,781 | $ 2,990,3 |

Supplemental schedule of non-cash investing and financing activities

None.

| | | |
|---|---|---|
| Cash paid for interest | $ 159,893 | $ 132,1 |

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 three-month period ended March 31, 2008 are not necessarily indicative of the results to be expected for the full year ending December 31, 2008.

Note 2 - Approximately $466,000 and $135,500 are included in royalty and fee income for the three- month periods ended March 31, 2007 and 2008, respectively, for initial franchise fees. Approximately $207,410 and $110,475 are included in royalty and fee income for the three-month period ended March 31, 2007 and 2008, respectively, for equipment commissions. In addition, included in royalties and fees were approximately $360,000 in the three-month period ended March 31, 2007 and none in the three-month period ended March 31, 2008 for the sale of Area Development Agreements. Royalty and fee income, less initial franchise fees, equipment commissions and area development fees were $1,551,997 and $1,702,178 for the three-month periods ended March 31, 2007 and 2008, respectively. The Company's ongoing royalty income is primarily paid electronically by the Company initiating a draft on the franchisee's account by electronic withdrawal. As such, the Company has no material amount of past due royalties.

Note 3 - The following table sets forth the calculation of basic and diluted earnings per share for the three-month period ended March 31, 2008:

| | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
|---|---|---|---|
| Net income | $ 321,431 | 19,196,395 | $ .02 |
| Less preferred stock dividends | (16,636) | | |
| Earnings per share- basic | | | |
| Income available to common stockholders | 304,795 | | .02 |
| Effect of dilutive securities | | | |
| Warrants | | 676,333 | |
| Options | | 58,600 | |
| Convertible preferred stock | 16,636 | 366,666 | |
| Diluted earnings per share | | | |
| Income available to common stockholders and assumed conversions | $ 321,431 | 20,297,994 | $ .02 |



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" and "Tuscano's Italian Style Subs." Both 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.

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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.

Business Strategy

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

Continue Focus on Sales of Non-Traditional Franchises. The Company plans to continue its focus on awarding franchise agreements for both Noble Roman's Pizza and Tuscano's Italian Style Subs in non- traditional venues such as hospitals, military bases, universities, convenience stores, attractions, entertainment facilities, casinos, airports, travel plazas, office complexes and hotels. The Company has pursued this focus for the past several years and has recently increased its sales staff to support planned increases in the growth of non-traditional locations.

Growth of our Traditional Concept. In order to seek more rapid growth, the Company initiated a strategy to sell franchises and to sell development territories to Area Developers for stand-alone traditional locations. Area Developers have the exclusive right to develop the traditional concept in their areas. Area Developers generally pay a development fee of $.05 per capita in their development area and will receive 30% of the initial franchise fee and 2/7ths of the royalty from the franchise locations developed pursuant to those Development Agreements. The Company retains all training and supervision responsibilities and must approve all franchisees and all locations. In order to maintain the rights to develop the territories, each Developer has to meet the minimum development schedule stipulated in the Area Development Agreement.

The Company is continuing to implement the initiatives it announced in November 2007 that it believes will enhance the operations of its traditional co-brand franchise program. These enhancements include: more rigorous franchisee selection criteria; a longer, more robust training period for new franchisees; more direct franchise involvement in the construction and marketing process; and intensified monitoring and enforcement of operating standards and unit performance Recognizing that these steps could slow the speed of franchise development within territories covered by existing Area Development Agreements, the Company intends to offer reasonable accommodations to the exclusive development time frames specified in those agreements so as to align interest of Area Developers and the Company in sustainable growth of the traditional franchise program.

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 period ended March 31, 2007 and 2008, respectively.

| | Three Months Ended March 31, 2007 | Three Months Ended March 31, 2008 |
|---|---|---|
| Royalties and fees | 90.6 | 82.9 % |
| Administrative fees and other | .6 | .6 |
| Restaurant revenue | 8.8 | 16.5 |
| Total revenue | 100.0 % | 100.0 % |
| Operating expenses: | | |
| Salaries and wages | 13.2 | 16.2 |
| Trade show expense | 4.8 | 5.3 |
| Travel expense | 2.8 | 4.8 |
| Sales commissions | 4.0 | 1.3 |
| Other operating expense | 7.9 | 10.1 |
| Restaurant expenses | 8.2 | 15.9 |
| Depreciation and amortization | .8 | 1.1 |
| General and administrative | 14.9 | 18.0 |
| Operating income | 43.4 % | 27.3 % |
| Interest and other expense | 6.1 | 6.6 |
| Income before income taxes | 37.3 | 20.7 |
| Income tax expense | 12.7 | 7.0 |
| Net income | 24.6 % | 13.7 % |

## Recent Development

On March 19, 2008, the Company announced that it had engaged Roth Capital Partners, LLC to act as its financial advisor to advise and assist the Company with respect to defining objectives and evaluating certain strategic alternatives to enhance shareholder value. The Company anticipates that a range of options will be presented as a result of this analysis, which the Company will then review in consultation with its board of directors and advisors.

## Results of Operations

Noble Roman's, Inc. and Subsidiaries

Results of Operations - Three-Month Period Ended March 31, 2007 and 2008

Total revenue decreased from $2.9 million to $2.4 million for the three-month period ended March 31, 2008 compared to the corresponding period in 2007. This decrease was primarily the result of selling fewer franchises, less equipment commissions and not selling any area development agreements in the period ended March 31, 2008 compared to the corresponding period in 2007. This decrease was partially offset by an increase in ongoing royalties and fees from the addition of new franchises over the past year and an increase in restaurant revenue as a result of temporarily operating more stores in the period ended March 31, 2008 compared to the corresponding period in 2007.

Approximately $466,000 and $135,500 are included in royalty and fee income for the three-month periods ended March 31, 2007 and 2008, respectively, for initial franchise fees. Approximately $207,410 and $110,475 are included in royalty and fee income for the three-month period ended March 31, 2007 and 2008, respectively, for equipment commissions. In addition, included in royalties and fees were approximately $360,000 and none, respectively, in the three-month periods ended March 31, 2007 and 2008 for the sale of Area Development Agreements. Royalty and fee income, less the initial franchise fees, equipment commissions and area development fees were $1,551,997 and $1,702,178 for the three-month periods ended March 31, 2007 and 2008, respectively.

Restaurant revenues increased from approximately $252,000 to $389,000 for the three-month period ended March 31, 2008 compared to the corresponding period 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 period ended March 31, 2008 than in the corresponding period in 2007.

Salaries and wages increased from 13.2% of total revenue to 16.2% of total revenue for the three- month period ended March 31, 2008 compared to the corresponding period in 2007. This increase was the result of the decrease in revenue, as explained above, with $3,548 increase in actual salaries and wages expense. In April 2008, the Company took action which should decrease salaries, wages and related expenses in future quarters.

Trade show expenses increased from 4.8% of total revenue to 5.3% of total revenue for the three- month period ended March 31, 2008 compared to the corresponding period in 2007. This increase was the result of the decrease in revenue with the actual amount of trade show expense decreasing by $14,346 as a result of eliminating participation in certain trade shows.

Travel expenses increased from 2.8% of total revenue to 4.8% of total revenue for the three-month period ended March 31, 2008 compared to the corresponding period in 2007. The amount of travel expenses increased for the three-month period as a result of increases in the average amount of time franchise managers stay at franchise locations due to the additional time necessary to support new traditional locations as compared to non-traditional locations and the decrease in total revenues.

Sales commissions decreased from 4.0% to 1.3% of total revenue for the three-month period ended March 31, 2008 compared to the corresponding period in 2007. This decrease was the result of fewer franchise sales and no Area Development Agreement sales, partially offset by more franchises open that were sold by Area Developers.

Other operating expenses increased, as a percentage of total revenue, from 7.9% to 10.1% for the three-month period ended March 31, 2008 compared to the corresponding period in 2007. This increase was primarily the result of a decrease in revenue coupled with an increase of $11,454 in the amount of other operating expenses.

Restaurant expenses increased as a percentage of total revenue from 8.2% to 15.9% for the three- month period ended March 31, 2008 compared to the corresponding period in 2007. This increase was 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 14.9% to 18.0% for the three-month period ended March 31, 2008 compared to the corresponding period in 2007. This increase was the result of a decrease in the amount of total revenue offset by a decrease of $2,730 in the actual cost.

Operating income decreased as a percentage of total revenue from 43.4% to 27.3% for the three-month period ended March 31, 2008 compared to the corresponding period in 2007. The primary reason for this decrease was the decrease in total revenue. Actual operating expenses, excluding restaurant expenses, decreased by approximately $47,000.

Interest expense increased as a percentage of total revenue from 6.1% to 6.6% for the three-month period ended March 31, 2008 compared to the corresponding period in 2007. This increase was primarily the result of the decrease in revenue. The amount of interest decreased $19,755 as a 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 twelve months.

Net income decreased from $703,303 to $321,431 for the three-month period ended March 31, 2008 compared to the corresponding period in 2007. The decrease in net income was primarily the result of the decrease in total revenue.

## Liquidity and Capital Resources

The Company's strategy is to grow its business by continuing to focus on franchising non-traditional locations and by franchising in traditional locations partially through the use of Area Developers. This strategy does not require significant capital.

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

On February 4, 2008, the Company and certain of its subsidiaries, entered into a First Amendment to Loan Agreement (the "Amendment") with Wells Fargo Bank, N.A. that amended the existing Loan Agreement dated August 25, 2005, between the Company and Wells Fargo (the "Loan Agreement"). 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 March 31, 2008, the Company had outstanding interest-bearing debt in the aggregate principal amount of $8,250,000. 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, at an annual interest rate of 8.20%. Based upon the principal balance outstanding at March 31, 2008, for each 1.0% increase in LIBOR, the Company would incur increased interest expense of approximately $38,000 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, from time to time, is involved in various litigation relating to claims arising out of its normal business operations.

The Company is not involved in any litigation currently, nor is any litigation currently threatened, which would have a material effect upon the Company.

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ITEM 6. Exhibits.

(a) Exhibits: See Exhibit Index appearing on page 18.

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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:

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

Index to Exhibits

Exhibit
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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.