

NOBLE ROMANS INC
Form 10-K/A
October 29, 2013

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K/A
(Amendment No. 1)
(Mark one)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the fiscal year ended December 31, 2012.

Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
for the transition period from ____ to ____.

Commission file number 0-11104

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

Indiana
(State or other jurisdiction
of incorporation or organization)

35-1281154
(I.R.S. Employer
Identification No.)

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232,405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229,405 of this

chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¶

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

(do not check if a smaller reporting company)

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

The aggregate market value of the common stock held by non-affiliates of the registrant as of June 30, 2011, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price of the registrant's common shares on such date was \$7.2 million.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 19,489,317 shares of common stock as of March 1, 2012.

Documents Incorporated by Reference:

Portions of the definitive proxy statement for the registrant's 2012 Annual Meeting of Shareholders are incorporated by reference in Part III.

EXPLANATORY NOTE

This Amendment No. 1 to Form 10-K (this “Amendment”) amends the Annual Report on Form 10-K for the fiscal year ended December 31, 2012 originally filed on March 15, 2013 (the “Original Filing”) by Noble Roman’s, Inc., an Indiana corporataion (the “Company”). The Company is filing this Amendment to replace the draft version of the Report of Independent Registered Public Accounting Firm (the “Report”) inadvertently included as a part of “Item 8. Financial Statements and Supplementary Data” of the Original Filing (“Item 8”) with the executed version of the Report. In accordance with Rule 12b-15 under the Exchange Act of 1934, as amended (the “Exchange Act”), this Amendment includes the entirety of Item 8 of the Original Filing, which is unchanged from the Original Filing, except that it includes the executed version of the Report. In accordance with Rule 12b-15 under the Exchange Act, this Amendment includes certain certifications required to be filed herewith.

Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the date of the Original Filing, and the Company has not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

| | December 31, | |
|--|--------------|--------------|
| | 2011 | 2012 |
| Assets | | |
| Current assets: | | |
| Cash | \$233,296 | \$144,354 |
| Accounts and notes receivable - net | 884,811 | 1,080,362 |
| Inventories | 338,447 | 460,839 |
| Assets held for resale | 252,552 | 259,579 |
| Prepaid expenses | 278,718 | 379,669 |
| Deferred tax asset - current portion | 1,400,000 | 1,400,000 |
| Total current assets | 3,387,824 | 3,724,803 |
| Property and equipment: | | |
| Equipment | 1,147,109 | 1,166,103 |
| Leasehold improvements | 12,283 | 12,283 |
| | 1,159,392 | 1,178,386 |
| Less accumulated depreciation and amortization | 851,007 | 905,376 |
| Net property and equipment | 308,385 | 273,010 |
| Deferred tax asset (net of current portion) | 9,613,399 | 9,238,536 |
| Other assets including long-term portion of notes receivable - net | 3,914,523 | 3,924,404 |
| Total assets | \$17,224,131 | \$17,160,753 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Current portion of long-term note payable to bank | \$3,575,000 | \$1,250,000 |
| Accounts payable and accrued expenses | 665,054 | 510,710 |
| Total current liabilities | 4,240,054 | 1,760,710 |
| Long-term obligations: | | |
| Note payable to bank (net of current portion) | - | 3,020,833 |
| Note payable to officer | 1,255,821 | - |
| Total long-term liabilities | 1,255,821 | 3,020,833 |
| Stockholders' equity: | | |
| Common stock – no par value (25,000,000 shares authorized, 19,469,317 issued and outstanding as of December 31, 2011 and 19,516,589 as of December 31, 2012) | 23,239,976 | 23,366,058 |
| Preferred stock (5,000,000 shares authorized, 20,625 issued and outstanding as of December 31, 2011 and December 31, 2012) | 800,250 | 800,250 |
| Accumulated deficit | (12,311,970) | (11,787,098) |
| Total stockholders' equity | 11,728,256 | 12,379,210 |
| Total liabilities and stockholders' equity | \$17,224,131 | \$17,160,753 |

See accompanying notes to consolidated financial statements.

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

| | Year Ended December 31, | | |
|---|-------------------------|-------------|-------------|
| | 2010 | 2011 | 2012 |
| Royalties and fees | \$6,725,769 | \$6,813,946 | \$6,823,811 |
| Administrative fees and other | 40,312 | 44,448 | 19,872 |
| Restaurant revenue | 505,022 | 517,679 | 456,449 |
| Total revenue | 7,271,103 | 7,376,073 | 7,300,132 |
| Operating expenses: | | | |
| Salaries and wages | 970,652 | 970,966 | 979,447 |
| Trade show expense | 301,940 | 351,907 | 498,951 |
| Travel expense | 157,973 | 191,695 | 183,316 |
| Other operating expenses | 719,316 | 687,519 | 685,836 |
| Restaurant expenses | 501,976 | 507,838 | 427,127 |
| Depreciation and amortization | 66,578 | 124,009 | 116,287 |
| General and administrative | 1,610,123 | 1,619,778 | 1,593,646 |
| Total expenses | 4,328,558 | 4,453,712 | 4,484,610 |
| Operating income | 2,942,545 | 2,922,361 | 2,815,522 |
| Interest and other expense | 440,512 | 390,858 | 413,334 |
| Adjust valuation allowance – Heyser Case | - | - | 500,000 |
| Income before income taxes from continuing operations | 2,502,033 | 2,531,503 | 1,902,188 |
| Income tax expense | 991,056 | 1,002,729 | 753,457 |
| Net income from continuing operations | 1,510,977 | 1,528,774 | 1,148,731 |
| Loss from discontinued operations net of tax benefit of \$787,520 for 2010, \$465,570 for 2011 and \$344,079 for 2012 | (1,200,664) | (709,816) | (524,588) |
| Net income | 310,313 | 818,958 | 624,143 |
| Cumulative preferred dividends | 90,682 | 99,000 | 99,271 |
| Net income available to common stockholders | \$219,631 | \$719,958 | \$524,872 |
| Earnings per share - basic: | | | |
| Net income from continuing operations | \$.08 | \$.08 | \$.06 |
| Net loss from discontinued operations net of tax benefit | \$(.06) | \$(.04) | \$(.03) |
| Net income | \$.02 | \$.04 | \$.03 |
| Net income available to common stockholders | \$.01 | \$.04 | \$.03 |
| Weighted average number of common shares outstanding | 19,414,367 | 19,457,810 | 19,497,638 |
| Diluted earnings per share: | | | |
| Net income from continuing operations | \$.08 | \$.08 | \$.06 |
| Net loss from discontinued operations net of tax benefit | \$(.06) | \$(.04) | \$(.03) |

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| | | | |
|--|------------|------------|------------|
| Net income | \$.02 | \$.04 | \$.03 |
| Weighted average number of common shares outstanding | 20,094,961 | 20,112,278 | 20,077,910 |

See accompanying notes to consolidated financial statements.

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

| | Preferred Stock | Common Stock Shares | Amount | Accumulated Deficit | Total |
|--|--------------------|------------------------|---------------|------------------------|---------------|
| Balance at December 31, 2009 | \$ 800,250 | 19,412,499 | \$ 23,074,160 | \$ (13,251,559) | \$ 10,622,851 |
| 2010 net income | | | | 310,313 | 310,313 |
| Cumulative preferred dividends | | | | (90,682) | (90,682) |
| Amortization of value of stock options | | | 42,157 | | 42,157 |
| Cashless exercise of warrants | | 6,818 | | | |
| Balance at December 31, 2010 | \$ 800,250 | 19,419,317 | \$ 23,116,317 | \$ (13,031,928) | \$ 10,884,639 |
| 2011 net income | | | | 818,958 | 818,958 |
| Cumulative preferred dividends | | | | (99,000) | (99,000) |
| Amortization of value of stock options | | | 105,659 | | 105,659 |
| Exercise of employee stock options | - | 50,000 | 18,000 | | 18,000 |
| Balance at December 31, 2011 | \$ 800,250 | 19,469,317 | \$ 23,239,976 | \$ (12,311,970) | \$ 11,728,256 |
| 2012 net income | | | | 624,143 | 624,143 |
| Cumulative preferred dividends | | | | (99,271) | (99,271) |
| Amortization of value of stock options | | | 107,882 | | 107,882 |
| Exercise of employee stock options | - | 47,272 | 18,200 | - | 18,200 |
| Balance at December 31, 2012 | \$ 800,250 | 19,516,589 | \$ 23,366,058 | \$ (11,787,098) | \$ 12,379,210 |

See accompanying notes to consolidated financial statements..

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

| | Year ended December 31, | | |
|---|-------------------------|--------------------|--------------------|
| | 2010 | 2011 | 2012 |
| OPERATING ACTIVITIES | | | |
| Net income | \$310,313 | \$818,958 | \$624,143 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 158,293 | 298,937 | 192,012 |
| Non-cash expense from loss on discontinued operations | 187,330 | - | - |
| Deferred income taxes | 991,056 | 1,002,729 | 753,457 |
| Changes in operating assets and liabilities: | | | |
| (Increase) decrease in: | | | |
| Accounts and notes receivable | 94,846 | 19,711 | (195,553) |
| Inventories | (77,907) | (21,534) | (122,392) |
| Prepaid expenses | 6,075 | (42,940) | (100,950) |
| Other assets | (561,952) | (849,910) | 147,902 |
| Increase in: | | | |
| Accounts payable and accrued expenses | 219,654 | 10,736 | 205,946 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,327,708 | 1,236,687 | 1,504,565 |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | (5,738) | (8,059) | (18,994) |
| Assets held for resale | (2,751) | (6,274) | (7,027) |
| NET CASH USED BY INVESTING ACTIVITIES | (8,489) | (14,333) | (26,021) |
| FINANCING ACTIVITIES | | | |
| Payment of obligations from discontinued operations | (933,809) | (709,816) | (704,369) |
| Payment of cumulative preferred dividends | (90,682) | (99,000) | (99,271) |
| Payment of principal on outstanding under prior bank loan | (1,125,000) | (925,000) | (3,575,000) |
| Payment of principal officer loan | - | - | (1,255,821) |
| Payment of principal outstanding on new bank loan | - | - | (729,167) |
| Payment of alternative minimum tax | - | - | (34,515) |
| Payment received on long-term notes receivable | 8,612 | 33,417 | - |
| Payment of loan modification cost | - | (43,703) | - |
| Proceeds of loan from officer | 825,500 | 400,000 | - |
| Proceeds from new bank loan | - | - | 4,812,457 |
| Proceeds from the exercise of stock options | - | 18,000 | 18,200 |
| NET CASH USED BY FINANCING ACTIVITIES | (1,315,379) | (1,326,102) | (1,567,486) |
| Increase (decrease) in cash | 3,840 | (103,748) | (88,942) |
| Cash at beginning of year | 333,204 | 337,044 | 233,296 |
| Cash at end of year | \$337,044 | \$233,296 | \$144,354 |

Supplemental Schedule of Non-Cash Investing and Financing Activities:

In 2010, a warrant to purchase 50,000 shares at \$.95 per share was exercised pursuant to the cashless exercise provision of the warrant and the holders received 6,818 shares of common stock. In 2012, an option to purchase

20,000 shares at \$.55 was exercised pursuant to the cashless exercise provision of the option and the holder received 7,272 shares of common stock.

See accompanying notes to consolidated financial statements.

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

Note 1: Summary of Significant Accounting Policies

Organization: The Company sells and services franchises and/or licenses for non-traditional foodservice operations under the trade names "Noble Roman's Pizza," "Tuscano's Italian Style Subs and" "Noble Roman's Take-N-Pizza". Unless the context otherwise indicates, reference to the "Company" are to Noble Roman's, Inc. and its wholly-owned subsidiaries.

Principles of Consolidation: The consolidated financial statements include the accounts of Noble Roman's, Inc. and its wholly-owned subsidiaries, Pizzaco, Inc. and N.R. Realty, Inc. Inter-company balances and transactions have been eliminated in consolidation.

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

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

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

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

Advertising Costs: The Company records advertising costs consistent with Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Other Expense topic and Advertising Costs subtopic. This statement requires the Company to expense advertising production costs the first time the production material is used.

Fair Value Measurements and Disclosures: The Fair Value Measurements and Disclosures topic of the FASB's ASC requires companies to determine fair value based on the price that would be received to sell the asset or paid to transfer the liability to a market participant. The Fair Value Measurements and Disclosures topic emphasizes that fair value is a market-based measurement, not an entity-specific measurement.

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

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

As of December 31, 2011, the Company held an interest rate swap, a financial liability that is required to be measured at fair value on a recurring basis utilizing Level 2 inputs. The carrying value for this liability approximated its fair value, and is not material to the Company's 2011 consolidated financial statements. The former interest rate swap was paid off in 2012.

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

Intangible Assets: Debt issue costs are amortized to interest expense ratably over the term of the applicable debt. The debt issue cost being amortized is \$156,991 with accumulated amortization at December 31, 2012 of \$24,654.

Royalties, Administrative and Franchise Fees: Royalties are recognized as income monthly and are based on a percentage of monthly sales of franchised or licensed restaurants. Fees from the retail products in grocery stores are recognized monthly based on the distributors' sale of those retail products to the grocery stores. Administrative fees are recognized as income monthly as earned. Initial franchise fees are recognized as income when the services for the franchised restaurant are substantially completed.

Exit or Disposal Activities Related to Discontinued Operations: The Company records exit or disposal activity for discontinued operations when management commits to an exit or disposal plan and includes those charges under results of discontinued operations, as required by the ASC "Exit or Disposal Cost Obligations" topic.

Income Taxes: The Company provides for current and deferred income tax liabilities and assets utilizing an asset and liability approach along with a valuation allowance as appropriate. The Company concluded that no valuation allowance was necessary because it is more likely than not that the Company will earn sufficient income before the expiration of its net operating loss carry-forwards to fully realize the value of the recorded deferred tax asset. As of December 31, 2012, the net operating loss carry-forward was approximately \$24.3 million which expires between the years 2018 and 2028. Management made the determination that no valuation allowance was necessary after reviewing the Company's business plans, relevant known facts to date, recent trends, current performance and analysis of the backlog of franchises sold but not yet open.

U.S. generally accepted accounting principles require the Company to examine its tax positions for uncertain positions. Management is not aware of any tax positions that are more likely than not to change in the next 12 months, or that would not sustain an examination by applicable taxing authorities. The Company's policy is to recognize penalties and interest as incurred in its Consolidated Statements of Operations, which were none for the years ended December 31, 2010, 2011 and 2012. The Company's federal and various state income tax returns for 2009 through 2012 are subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date.

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

The following table sets forth the calculation of basic and diluted earnings per share for the year ended December 31, 2010:

| | Income (Numerator) | Shares (Denominator) | Per Share Amount |
|---|-----------------------|-------------------------|---------------------|
| Net income | \$ 310,313 | | |
| Less preferred stock dividends | (90,682) | | |
| Earnings per share – basic | | | |
| Income available to common stockholders | 219,631 | 19,414,367 | \$.01 |
| Effect of dilutive securities | | | |
| Options | - | 313,928 | |
| Convertible preferred stock | 90,682 | 366,666 | |
| Diluted earnings per share | | | |
| Income available to common stockholders and assumed conversions | \$ 310,313 | 20,094,961 | \$.02 |

The following table sets forth the calculation of basic and diluted earnings per share for the year ended December 31, 2011:

| | Income (Numerator) | Shares (Denominator) | Per Share Amount |
|---|-----------------------|-------------------------|---------------------|
| Net income | \$ 818,958 | | |
| Less preferred stock dividends | (99,000) | | |
| Earnings per share – basic | | | |
| Income available to common stockholders | 719,958 | 19,457,810 | \$.04 |
| Effect of dilutive securities | | | |
| Options | - | 287,802 | |
| Convertible preferred stock | 99,000 | 366,666 | |
| Diluted earnings per share | | | |
| Income available to common stockholders and assumed conversions | \$ 818,958 | 20,112,278 | \$.04 |

The following table sets forth the calculation of basic and diluted earnings per share for the year ended December 31, 2012:

| | Income (Numerator) | Shares (Denominator) | Per Share Amount |
|---|-----------------------|-------------------------|---------------------|
| Net income | \$ 624,143 | | |
| Less preferred stock dividends | (99,271) | | |
| Earnings per share – basic | | | |
| Income available to common stockholders | 524,872 | 19,497,638 | \$.03 |
| Effect of dilutive securities | | | |
| Options | - | 213,606 | |
| Convertible preferred stock | 99,271 | 366,666 | |
| Diluted earnings per share | | | |
| Income available to common stockholders and assumed conversions | \$ 624,143 | 20,077,910 | \$.03 |

Subsequent Events: The Company evaluated subsequent events through the date the consolidated statements were issued and filed with Form 10-K. No subsequent event required recognition or disclosure.

Note 2: Accounts and Notes Receivable

At December 31, 2011 and 2012, the carrying value of the Company's accounts receivable has been reduced to anticipated realizable value. As a result of this reduction of carrying value, the Company anticipates that substantially all of its net receivables reflected on the Consolidated Balance Sheets as of December 31, 2011 and 2012 will be collected.

Note 3: Notes Payable

On May 15, 2012, the Company entered into a Credit Agreement with BMO Harris Bank, N.A. for a term loan in the original principal amount of \$5.0 million which is payable in 48 equal monthly principal installments of approximately \$104,000 plus interest commencing on June 15, 2012 with a final payment due on May 15, 2016. Interest on the unpaid principal balance is payable at a rate per annum of LIBOR plus 4%. The proceeds from this loan, net of certain fees and expenses associated with obtaining this loan, were used to repay all existing indebtedness to Wells Fargo Bank, N.A. and an officer of the Company, both of which are described below. The Company's obligations under the term loan are secured by the grant of a security interest in essentially all assets of the Company and a personal guaranty of an officer of up to \$1.2 million of the term loan and certain restrictions apply such as a prohibition on the payment of dividends, as defined in the Credit Agreement. Interest paid on this Note was \$117,899 in 2012.

On January 30, 2012, the Company entered into an Amendment to the Loan Agreement with Wells Fargo Bank, N.A. (the "Amendment") that amended the existing loan agreement between the Company and Wells Fargo, N.A. (the "Loan Agreement"). The Amendment modified the monthly principal payments as follows: \$50,000 on February 1, 2012; \$75,000 on March 1, 2012; \$125,000 on April 1, 2012; \$200,000 on the first of each month May through September 2012; and \$2,250,000 on October 1, 2012.

The Loan Agreement, as amended, required monthly interest payments at the rate of LIBOR plus 4.25% per annum through and including June 1, 2012, and LIBOR plus 7.25% per annum thereafter. Interest paid on this Note was

\$91,217 in 2012, \$253,813 in 2011 and \$310,582 in 2010. The Company's obligations under the loan were secured by the grant of a security interest in its personal property and certain restrictions applied such as a prohibition on the payment of dividends, all as defined in the Loan Agreement.

Paul W. Mobley, the Company's Chairman of the Board and Chief Executive Officer, loaned the Company \$1,255,821, during 2010 and 2011 which was evidenced by a promissory note, to help fund principal payments due under its bank loan and payments related to discontinued operations. The promissory note provided for interest to be paid monthly on the unpaid principal balance of the note which began December 1, 2010 and continued on the first day of each calendar month thereafter until the note was paid in full, at the rate of 8% per annum. Interest paid on this Note was \$45,716 in 2012, \$76,246 in 2011 and \$5,956 in 2010.

Note 4: Royalties and Fees

Approximately \$266,500, \$194,000 and \$294,000 are included in the 2010, 2011 and 2012, respectively, royalties and fees in the Consolidated Statements of Operations for initial franchise fees. Also included in royalties and fees were approximately \$110,000, \$61,000 and \$81,000 in 2010, 2011 and 2012, respectively, for equipment commissions. Most of the cost for the services required to be performed by the Company are incurred prior to the franchise fee income being recorded which is based on contractual liability for the franchisee. For the most part, the Company's ongoing royalty income is paid electronically by the Company initiating a draft on the franchisee's account by electronic withdrawal. As such, the Company has no material amount of past due royalties.

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

There were 1,583 franchised or licensed outlets in operation on December 31, 2011 and 1,847 on December 31, 2012. During that 12-month period there were 291 new franchised or licensed outlets opened and 27 franchised or licensed outlets left the system. Grocery stores are accustomed to adding products for a period of time, removing them for a period of time and possibly reoffering them. Therefore, it is unknown how many grocery store licenses have left the system.

Note 5: Contingent Liabilities for Leased Facilities

The Company leased its former restaurant facilities under non-cancelable lease agreements which generally had initial terms ranging from five to 20 years with extended renewal terms. These leases have been terminated or assigned to franchisees who operate them pursuant to a Noble Roman's, Inc. Franchise Agreement. The assignment passes all liability for future lease payments to the assignees, however, the Company remains contingently liable on two of the leases to the landlords in the event of default by the assignees. The leases generally required the Company or its assignees to pay all real estate taxes, insurance and maintenance costs. At December 31, 2012, contingent obligations under non-cancelable operating leases for 2013, 2014, 2015 and 2016, were approximately \$90,663, \$91,563, \$71,343 and \$24,675, respectively.

The Company has future obligations of \$591,383 under current operating leases as follows: due in less than one year \$230,632, due in one to three years \$347,501 and due in three to five years \$13,250.

Note 6: Income Taxes

The Company had a deferred tax asset, as a result of prior operating losses, of \$11.01 million at December 31, 2011 and \$10.64 million at December 31, 2012, which expires between the years 2018 and 2028. In 2010, 2011 and 2012, the Company used deferred benefits to offset its tax expense of \$991,000, \$1.00 million and \$753,000, respectively, and tax benefits from loss on discontinued operations of \$788,000 in 2010, \$466,000 in 2011 and \$344,000 in 2012. As a result of the tax credits, the Company did not pay any income taxes in 2010, 2011 and 2012. There are no material differences between reported income tax expense or benefit and the income tax expense or benefit that would result from applying the Federal and state statutory tax rates.

Note 7: Common Stock

On December 31, 2011 and December 31, 2012, the Company had issued and outstanding Series B Preferred Stock with a liquidation value of \$825,000, which, at the option of the holder may be converted to common stock at a conversion price of \$2.25 per share. The preferred stock provides for cumulative dividends at the rate of 12% per annum on the liquidation value. The Company, at its option, may redeem the Series B Preferred Stock at the liquidation value.

On February 14, 2012, an employee exercised an option for 20,000 shares of common stock at a price of \$.36 per share. On August 1, 2012, an employee exercised an option for 20,000 shares of common stock through the cashless exercise provision and received 7,272 shares of common stock. On August 2, 2012, an employee exercised an option for 20,000 shares of common stock at a price of \$.55 per share.

The Company has an incentive stock option plan for key employees, officers and directors. The options are generally exercisable three years after the date of grant and expire ten years after the date of grant. The option prices are the fair market value of the stock at the date of grant. At December 31, 2012, the Company had the following employee stock options outstanding:

| # Common Shares Represented | Exercise Price |
|-----------------------------------|-------------------|
| 46,000 | \$.83 |
| 58,500 | 2.30 |
| 375,000 | .36 |
| 431,000 | .95 |
| 1,800,000 | 1.05 |
| 160,000 | .90 |
| 356,000 | .58 |

As of December 31, 2012, options for 1,079,500 shares were exercisable.

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

The Company estimates the fair value of its option awards on the date of grant using the Black-Scholes option pricing model. The risk-free interest rate is based on external data while all other assumptions are determined based on the Company's historical experience with stock options. The following assumptions were used for grants in 2010, 2011 and 2012:

| | |
|--------------------------|----------------|
| Expected volatility | 20% to 30% |
| Expected dividend yield | None |
| Expected term (in years) | 5 |
| Risk-free interest rate | 3.56% to 1.65% |

The following table sets forth the number of options outstanding as of December 31, 2009, 2010, 2011 and 2012 and the number of options granted, exercised or forfeited during the years ended December 31, 2010, December 31, 2011 and December 31, 2012:

| | |
|--|-----------|
| Balance of employee stock options outstanding as of 12/31/09 | 630,250 |
| Stock options granted during the year ended 12/31/10 | 491,000 |
| Stock options exercised during the year ended 12/31/10 | 0 |
| Stock options forfeited during the year ended 12/31/10 | (20,750) |
| Balance of employee stock options outstanding as of 12/31/10 | 1,100,500 |
| Stock options granted during the year ended 12/31/11 | 2,000,000 |
| Stock options exercised during the year ended 12/31/11 | (50,000) |
| Stock options forfeited during the year ended 12/31/11 | (50,000) |
| Balance of employee stock options outstanding as of 12/31/11 | 3,000,500 |
| Stock options granted during the year ended 12/31/12 | 361,000 |
| Stock options exercised during the year ended 12/31/12 | (60,000) |
| Stock options forfeited during the year ended 12/31/12 | (75,000) |
| Balance of employee stock options outstanding as of 12/31/12 | 3,226,500 |

The following table sets forth the number of non-vested options outstanding as of December 31, 2009, 2010, 2011 and 2012, and the number of stock options granted, vested and forfeited during the years ended December 31, 2010, December 31, 2011 and December 31, 2012.

| | |
|---|------------|
| Balance of employee non-vested stock options outstanding as of 12/31/09 | 445,000 |
| Stock options granted during the year ended 12/31/10 | 491,000 |
| Stock options vested during the year ended 12/31/10 | 0 |
| Stock options forfeited during the year ended 12/31/10 | 0 |
| Balance of employee non-vested stock options outstanding as of 12/31/10 | 936,000 |
| Stock options granted during the year ended 12/31/11 | 2,000,000 |
| Stock options vested during the year ended 12/31/11 | (445,000) |
| Stock options forfeited during the year ended 12/31/11 | (30,000) |
| Balance of employee non-vested stock options outstanding as of 12/31/11 | 2,461,000 |
| Stock options granted during the year ended 12/31/12 | 361,000 |

| | |
|---|------------|
| Stock options vested during the year ended 12/31/12 | (600,000) |
| Stock options forfeited during the year ended 12/31/12 | (75,000) |
| Balance of employee non-vested stock options outstanding as of 12/31/12 | 2,147,000 |

During 2012, employee stock options were granted for 361,000 shares, options for 60,000 shares were exercised and options for 75,000 shares were forfeited. At December 31, 2012, the weighted average grant date fair value of non-vested options was \$.94 per share and the weighted average grant date fair value of vested options was \$.87 per share. The weighted average grant date fair value of employee stock options granted during 2011 was \$1.04 and during 2012 was \$.58. Total compensation cost recognized for share-based payment arrangements was \$42,157 with a tax benefit of \$16,698 in 2010, \$105,659 with a tax benefit of \$41,841 in 2011 and \$107,882 with a tax benefit of \$42,732 in 2012. As of December 31, 2012, total compensation cost related to non-vested options was \$126,233, which will be recognized as compensation cost over the next six to 30 months. No cash was used to settle equity instruments under share-based payment arrangements.

Note 8: Statements of Financial Accounting Standards

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

Note 9: Loss from Discontinued Operations

The Company made the decision in late 2008 to discontinue the business of operating traditional restaurants, which had been acquired from struggling franchisees and later sold to new franchisees, and charged off or dramatically lowered the carrying value of all receivables related to the traditional restaurants and accrued future estimated expenses related to the estimated cost to prosecute the Heyser lawsuit, as described in Note 10 herein. The ongoing right to receive passive income in the form of royalties is not a part of the discontinued segment. The Company reported an additional loss of \$1.2 million in 2010 after determining the estimate in 2008 was insufficient. Additionally, in reviewing the accounts receivable, various receivables originating in 2007 and 2008 relating to the operations that were discontinued in 2008 were determined to be doubtful of collection, therefore charged to loss on discontinued operations. The Company had an additional loss of \$710,000 in 2011 and \$525,000 in 2012 relating to the operations that were discontinued in 2008 for an additional accrual of legal and other costs related to the Heyser lawsuit and the charge-off of some additional receivables originating in 2007 and 2008 relating to the operations that were discontinued. The additional accruals were necessary, primarily because, since the Company was granted summary judgment dismissing their fraud claims on December 23, 2010, the Plaintiffs have continued to file numerous motions for reconsideration and appeals, all of which created additional legal and other expenses.

Note 10: Contingencies

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

The Company was 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 (Cause No. 29D01 0806 PL 739). The Plaintiffs' allegations of fraud against the Company and certain of its officers were determined to be without merit and Plaintiffs have exhausted their rights of appeal. The Company is no longer a Defendant in this case.

The Company filed counterclaims for damages for breach of contract against the Plaintiffs. The Company proceeded to trial against two of the Plaintiffs and obtained damage awards against each. In addition to direct and consequential damages in the Court's summary judgment Order, the Court determined that as a matter of law Noble Roman's is entitled to recover attorney fees associated with obtaining preliminary injunctions, fees resulting from the prosecution of Noble Roman's counterclaims, and fees for defending against the various claims made against the Company. A hearing has been set for March 21, 2013 on the amount of attorney fees to be awarded. Sometime after the hearing on attorney fees, the Court is expected to issue an Order for a judgment amount to be awarded to the Company against the two remaining Plaintiffs.

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

Note 11: Adjustment to Valuation Allowance – Heyser Case

The Company recorded a \$500,000 expense in 2012 as a result of increasing the reserve against collections related to the Heyser Case, as discussed in Note 10. The receivables related to the Heyser case are recorded in other assets including long-term portion of notes receivable-net on the Consolidated Balance Sheets.

Note 12: Certain Relationships and Related Transactions

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

Jeffrey R. Gaither, a Director, is Managing Partner of Bose McKinney & Evans, LLP, a law firm that performs legal services for the Company. The Company paid Bose McKinney for services rendered in the approximate amount of \$320,186, \$428,028 and \$382,338 in 2010, 2011 and 2012, respectively.

Paul W. Mobley, the Company's Chairman of the Board and Chief Executive Officer, loaned the Company \$1,255,821 during 2010 and 2011, which was evidenced by a promissory note, to help fund principal payments due under its bank loan and payments related to discontinued operations. The promissory note provided for interest to be paid monthly on the unpaid principal balance of the note which began December 1, 2010 and continued on the first day of each calendar month thereafter until the note was paid in full, at the rate of 8% per annum. Interest paid on this Note was \$45,716 in 2012, \$76,246 in 2011, and \$5,956 in 2010. This loan was repaid in full on May 15, 2012 as the result of the Company refinancing its outstanding debt, as described in Note 3.

Note 13: Unaudited Quarterly Financial Information

| | Quarter Ended | | | |
|--|---------------------------------------|-------------------------|-----------------|------------------|
| | December 31 2012 | September 30 2012 | June 30 2012 | March 31 2012 |
| | (in thousands, except per share data) | | | |
| Total revenue | \$1,724 | \$1,845 | \$1,894 | \$1,838 |
| Operating income | 624 | 726 | 765 | 700 |
| Net income before income taxes from continuing operations | 66 | 665 | 567 | 605 |
| Net income from continuing operations | 40 | 402 | 342 | 365 |
| Loss from discontinued operations | 525 | - | - | - |
| Net income (loss) | (485) | 402 | 342 | 365 |
| Net income from continuing operations per common share | | | | |
| Basic | - | .02 | .02 | .02 |
| Diluted | - | .02 | .02 | .02 |
| Net income (loss) per common share | | | | |
| Basic | (.02) | .02 | .02 | .02 |
| Diluted | (.02) | .02 | .02 | .02 |

| | Quarter Ended | | | |
|--|---------------------------------------|-------------------------|-----------------|------------------|
| | December 31 2011 | September 30 2011 | June 30 2011 | March 31 2011 |
| | (in thousands, except per share data) | | | |
| Total revenue | \$1,928 | \$1,766 | \$1,880 | \$1,802 |
| Operating income | 832 | 641 | 741 | 708 |
| Net income before income taxes from continuing operations | 736 | 542 | 644 | 609 |
| Net income from continuing operations | 444 | 328 | 389 | 368 |
| Loss from discontinued operations | (394) | (316) | - | - |
| Net income | 50 | 12 | 389 | 368 |
| Net income from continuing operations per common share | | | | |
| Basic | .02 | .02 | .02 | .02 |
| Diluted | .02 | .02 | .02 | .02 |
| Net income per common share | | | | |
| Basic | .00 | .00 | .02 | .02 |
| Diluted | .00 | .00 | .02 | .02 |

Somerset CPA's
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
NOBLE ROMAN'S, INC. AND SUBSIDIARIES
Indianapolis, Indiana

We have audited the accompanying consolidated balance sheets of NOBLE ROMAN'S, INC. AND SUBSIDIARIES, as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NOBLE ROMAN'S, INC. AND SUBSIDIARIES, as of December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ Somerset CPA's, P.C.

Indianapolis, Indiana

March 13, 2013

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NOBLE ROMAN'S, INC.

Date: October 29, 2013

By: /s/ Paul W. Mobley
Paul W. Mobley, Chairman, Chief Executive Officer,
Chief Financial Officer and Principal Accounting
Officer