NOBLE ROMANS INC
Form 10-Q
May 12, 2016

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, 2016

Commission file number: 0-11104

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

Indiana	35-1281154
(State or other jurisdiction of organization)	(I.R.S. Employer Identification No.)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 þ No o

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

Large Accelerated Filer	o	Accelerated Filer	o
Non-Accelerated Filer	o	Smaller Reporting Company	þ
(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 o No þ

As of May 6, 2016, there were 20,783,032 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:

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

Assets	December 31, 2015	March 31, 2016
Current assets:		
Cash	$194,021	$143,893
Accounts receivable - net	2,007,751	1,723,613
Inventories	492,222	630,919
Prepaid expenses	634,016	690,017
Deferred tax asset - current portion	925,000	925,000
Total current assets	4,253,010	4,113,442
Property and equipment:		
Equipment	1,376,190	1,380,015
Leasehold improvements	88,718	88,718
	1,464,908	1,468,733
Less accumulated depreciation and amortization	1,092,785	1,108,809
Net property and equipment	372,123	359,924
Deferred tax asset (net of current portion)	8,158,523	7,938,701
Other assets including long-term portion of receivables - net	5,681,272	6,433,835
Total assets	$18,464,928	$18,845,902
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of term loans payable to bank	$601,081	$1,858,247
Notes payable to officers	-	160,000
Revolving line of credit	-	500,000
Accounts payable and accrued expenses	847,418	487,989
Total current liabilities	1,448,499	3,006,236
Long-term obligations:		
Term loans payable to bank – net of current portion	1,366,454	-
Notes payable to officers	175,000	-
Notes payable to Kingsway America	600,000	600,000
Total long-term liabilities	2,141,454	600,000
Stockholders' equity:		
Common stock – no par value (25,000,000 shares authorized, 20,775,921 issued and outstanding as of December 31, 2015 and 20,783,032 issued and outstanding as of March 31, 2016)	24,294,002	24,308,894
Accumulated deficit	(9,419,027)	(9,069,228)
Total stockholders' equity	14,874,975	15,239,666
Total liabilities and stockholders’ equity	$18,464,928	$18,845,902

See accompanying notes to condensed consolidated financial statements (unaudited).

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

	Three months ended March 31, 2015	Three months ended March 31, 2016
Revenue:		
Royalties and fees	$1,772,571	$1,716,311
Administrative fees and other	11,749	11,074
Restaurant revenue	42,686	51,494
Total revenue	1,827,006	1,778,879
Operating expenses:		
Salaries and wages	279,518	251,308
Trade show expense	126,115	128,436
Travel expense	56,146	61,267
Other operating expenses	207,627	195,313
Restaurant expenses	51,771	45,732
Depreciation and amortization	26,354	29,412
General and administrative	402,158	405,809
Total expenses	1,149,689	1,117,277
Operating income	677,317	661,602
Interest	46,035	55,205
Loss on restaurant discontinued	46,341	36,776
Income before income taxes	584,941	569,621
Income tax expense	237,493	219,822
Net income	$347,448	$349,799
Earnings per share – basic:		
Net income	$.02	$.02
Weighted average number of common shares outstanding	20,098,087	20,778,422
Diluted earnings per share:		
Net income	$.02	$.02
Weighted average number of common shares outstanding	21,877,128	20,835,847

See accompanying notes to condensed consolidated financial statements (unaudited).

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

	Common Stock Shares	Common Stock Amount	Accumulated Deficit	Total
Balance at December 31, 2015	20,775,921	$24,294,002	$ (9,419,027)	$14,874,975
Net income for three months ended March 31, 2016			349,799	349,799
Cashless exercise of employee stock option	7,111			
Amortization of value of employee stock options		14,892		14,892
Balance at March 31, 2016	20,783,032	$24,308,894	$ (9,069,228)	$15,239,666

See accompanying notes to condensed consolidated financial statements (unaudited).

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

	Three Months Ended March 31,	
OPERATING ACTIVITIES	2015	2016
Net income	$347,448	$349,799
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	34,122	30,916
Deferred income taxes	237,493	219,822
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(62,228)	(92,944)
Inventories	17,997	(138,697)
Prepaid expenses	(76,960)	(56,001)
Other assets	(86,829)	(375,481)
Increase in:		
Accounts payable and accrued expenses	25,404	(315,826)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	436,447	(378,412)
INVESTING ACTIVITIES		
Purchase of property and equipment	(5,169)	(3,825)
NET CASH USED IN INVESTING ACTIVITIES	(5,169)	(3,825)
FINANCING ACTIVITIES		
Payment of principal on bank term loans	(381,840)	(109,288)
Payment on officer loan	-	(15,000)
Proceeds from the exercise of employee stock options	10,800	-
Proceeds from revolving bank line of credit	-	500,000
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(371,040)	375,712
DISCONTINUED OPERATIONS		
Payment of obligations from discontinued operations	(67,255)	(43,603)
Decrease in cash	(7,017)	(50,128)
Cash at beginning of period	200,349	194,021
Cash at end of period	$193,332	$143,893

Supplemental schedule of investing and financing activities

Cash paid for interest	$44,822	$77,919

See accompanying notes to condensed consolidated financial statements (unaudited).

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 - The accompanying unaudited interim condensed consolidated financial statements, included herein, have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated statements have been prepared in accordance with the Company's accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and should be read in conjunction with the audited consolidated financial statements and the notes thereto included in that report. Unless the context indicates otherwise, references to the "Company" mean Noble Roman's, Inc. and its subsidiaries.

In the opinion of the management of the Company, the information contained herein reflects all adjustments necessary for a fair presentation of the results of operations and cash flows for the interim periods presented and the financial condition as of the dates indicated, which adjustments are of a normal recurring nature. The results for the three-month period ended March 31, 2016 are not necessarily indicative of the results to be expected for the full year ending December 31, 2016.

Note 2 – Royalties and fees included $37,000 and $51,490 for the three-month periods ended March 31, 2015 and 2016, respectively, of initial franchise fees. Royalties and fees included $29,054 and $4,108 for the three-month periods ended March 31, 2015 and 2016, respectively, of equipment commissions. Royalties and fees, less initial franchise fees and equipment commissions were $1,706,517 and $1,660,713 for the three-month periods ended March 31, 2015 and 2016, respectively. 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 a contractual liability for the franchisee.

There were 2,562 franchises/licenses in operation on December 31, 2015 and 2,632 franchises/licenses in operation on March 31, 2016. During the three-month period ended March 31, 2016, there were 81 new outlets opened and 11 outlets closed. In the ordinary course, grocery stores from time to time add our licensed products, remove them and may subsequently re-offer them. Therefore, it is unknown how many licensed grocery store units included in the 2,632 count above have left the system.

Note 3 - The following table sets forth the calculation of basic and diluted earnings per share for the three-month period ended March 31, 2015:

	Three Months Ended March 31, 2015		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income	$347,448	20,098,087	$.02
Effect of dilutive securities			
Options		1,779,041	
Diluted earnings per share			
Net income per share with assumed conversions	$347,448	21,877,128	$.02

The following table sets forth the calculation of basic and diluted earnings per share for the three-month period ended March 31, 2016:

	Three Months Ended March 31, 2016		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income	$349,799	20,778,422	$.02
Effect of dilutive securities			
Options		57,425	
Diluted earnings per share			
Net income per share with assumed conversions	$349,799	20,835,847	$.02

Note 4 - At the end of December 2015, the decision was made to discontinue a restaurant that had been previously been used for demonstration and training purposes. This restaurant was a part of the discontinued operations in 2008 but the decision was made at the time to continue operating this location until the lease expired. Since it was a restaurant discontinued, the revenue and expense for the full year were taken out of the 2015 operating income and expense and shown as a loss on restaurant discontinued separate from the ongoing operations. The adjustment was made to the quarterly report for the three months ended March 31, 2015 to remove those operations from ongoing operations consistent with the full year for comparison purposes to the three months ended March 31, 2016.

Note 5 - As a result of obtaining a revolving line of credit for $500,000 to reduce accounts payable, the Net Cash Provided By Operating Activities of $121,588 was changed to Net Cash (Used) By Operating Activities of ($378,412). This change is not necessarily indicative of the business operating activities for the quarter March 31, 2016.

Note 6 - The Company evaluated subsequent events through the date the financial statements were issued and filed with SEC. There were no subsequent events that required recognition or disclosure beyond what is disclosed in this report.

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

General Information

Noble Roman’s, Inc., an Indiana corporation incorporated in 1972 with two wholly-owned subsidiaries, Pizzaco, Inc. and N.R. Realty, Inc., sells, services or operates franchises and licenses for non-traditional foodservice operations and stand-alone take-n-bake locations under the trade names “Noble Roman’s Pizza”, “Noble Roman’s Take-N-Bake” and “Tuscano’s Italian Style Subs”. The concepts’ hallmarks include high quality pizza and sub sandwiches, along with other related menu items, simple operating systems, fast service times, labor-minimizing operations, attractive food costs and overall affordability. Since 1997, the Company has concentrated its efforts and resources primarily on franchising and licensing for non-traditional locations and now has awarded franchise and/or license agreements in 50 states plus Washington, D.C., Puerto Rico, the Bahamas, Italy, the Dominican Republic and Canada. The Company currently focuses all of its sales efforts on (1) franchises/licenses for non-traditional locations primarily in convenience stores and entertainment facilities, (2) franchises for stand-alone Noble Roman’s Take-N-Bake Pizza retail outlets and (3) license agreements for grocery stores to sell Noble Roman’s Take-N-Bake Pizza and related products. Pizzaco, Inc. owns and operates a Company location used for testing and demonstration purposes. References in this report to the “Company” are to Noble Roman’s, Inc. and its subsidiaries, unless the context requires otherwise.

Noble Roman’s Pizza

The hallmark of Noble Roman’s Pizza is “Superior quality that our customers can taste.” Every ingredient and process has been designed with a view to produce superior results.

- A fully-prepared pizza crust that captures the made-from-scratch pizzeria flavor which gets delivered to non-traditional and grocery locations shelf-stable so that dough handling is no longer an impediment to a consistent product in those types of operations.
- Crust made with only specially milled flour (except for its gluten-free crust) with above average protein and yeast.
- Fresh packed, uncondensed and never cooked 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, with no additives or extenders – a distinction compared to many pizza concepts.
- Vegetable and mushroom toppings that are sliced and delivered fresh, never canned.
- An extended product line that includes breadsticks and cheesy stix with dip, pasta, baked sandwiches, salads, wings and a line of breakfast products.

Noble Roman’s Take-N-Bake

The Company developed a take-n-bake version of its pizza as an addition to its menu offerings. The take-n-bake pizza is designed as an add-on component for new and existing convenience stores, as a stand-alone offering for grocery stores and as the centerpiece of the Company’s stand-alone take-n-bake retail outlet concept. The Company offers the take-n-bake program in grocery stores under a license agreement rather than a franchise agreement. The stand-alone take-n-bake pizza units are offered under a franchise agreement. In convenience stores, take-n-bake is an available menu offering under the existing franchise/license agreement. The Company uses the same high quality pizza ingredients for its take-n-bake pizza as with its baked pizza, with slight modifications to portioning for enhanced home baking performance.

Tuscano’s Italian Style Subs

Tuscano’s Italian Style Subs is a separate non-traditional location concept that focuses on sub sandwich menu items. Tuscano’s was designed to be comfortably familiar from a customer’s perspective but with many distinctive features that include an Italian-themed menu. The ongoing royalty for a Tuscano’s franchise is identical to that charged for a Noble Roman’s Pizza franchise. The Company awards Tuscano’s franchises in the same facilities as Noble Roman’s Pizza franchises.   The Company has developed a grab-n-go service system for a selected portion of the Tuscano’s menu. The grab-n-go system is designed to add sales opportunities at existing non-traditional Noble Roman’s Pizza locations.

Business Strategy

The Company’s business strategy includes the following principal elements:

1. Focus on revenue expansion through three primary growth vehicles:

Sales of Non-Traditional Franchises and Licenses. The Company believes it has an opportunity for increasing unit growth and revenue within its non-traditional venues, particularly with convenience stores, travel plazas and entertainment facilities. The Company’s franchises/licenses in non-traditional locations are foodservice providers within a host business, and usually require a substantially lower investment compared to a stand-alone traditional location. Non-traditional franchises/licenses are most often sold into pre-existing facilities as a service and/or revenue enhancer for the underlying business.

Licensing and Franchising the Company’s Take-N-Bake Program. Noble Roman's take-n-bake pizza is designed as a unique product offering for grocery stores, an add-on component for new or existing convenience store franchisees/licensees and stand-alone franchise locations. The Company believes there is a significant growth opportunity to license additional supermarkets to sell its take-n-bake pizzas in their deli departments.

Franchising the Company’s Take-N-Bake Program for Stand-Alone Locations. The Company has developed a stand-alone take-n-bake pizza prototype, which features the chain’s popular traditional Hand-Tossed Style pizza, Deep-Dish Sicilian pizza, SuperThin pizza, a gluten-free pizza crust and Noble Roman’s famous breadsticks with spicy cheese sauce, all in a convenient cook-at-home format. Additional menu items include fresh salads, cookie dough, cinnamon rounds, bake-able pasta and more. Since launching the take-n-bake format, the Company has developed several enhancements to the stand-alone concept, such as "You Bake-We Bake", lunch service, limited inside seating and delivery service, and the Company continues to develop additional enhancements.

As a result of the Company's major focus on non-traditional franchising/licensing, franchising stand-alone take-n-bake retail outlets and licensing take-n-bake pizzas for grocery stores, its requirements for overhead and operating costs are significantly less than if it were focusing on traditional franchising. In addition, the Company does not operate restaurants, other than one location used for testing and demonstration purposes , which allows for a more complete focus on selling and servicing franchises and licenses to pursue increased unit growth.

2. Leverage the results of research and development advances.

The Company has invested significant time and effort to create what it considers to be competitive advantages in its products and systems for non-traditional and take-n-bake locations. The Company will continue to make these investments the focal point in its marketing process. The Company believes that the quality of its products, their cost-effectiveness, relatively simple production and service systems, and its diverse, modularized menu offerings all contribute to the Company's strategic attributes and growth potential. Every ingredient and process was designed to produce superior results. The menu items in most venues were developed to be delivered in a ready-to-use format requiring only on-site assembly and baking except for take-n-bake pizza, which is sold to bake at home, and certain other complementary menu items which require no assembly. The Company believes this process results in products that are great tasting, quality consistent, easy to assemble, relatively low in food cost, and require minimal labor, which allow for a significant competitive advantage due to the speed at which the products can be prepared, baked and served to customers.

3. Aggressively communicate the Company's competitive advantages to its target market of potential franchisees and licensees.

The Company utilizes the following methods of reaching potential franchisees and licensees and to communicate its product and system advantages: (1) calling from both acquired and in-house prospect lists; (2) frequent direct mail campaigns to targeted prospects; (3) web-based lead capturing; (4) live demonstrations at trade and food shows; and (5) in the case of prospects for the stand-alone take-n-bake outlets, requiring visits to the Company headquarters to meet management and to sample the products. In particular, the Company has found that conducting live demonstrations of its systems and products at selected trade and food shows across the country allows it to demonstrate advantages that can otherwise be difficult for a potential prospect to visualize. There is no substitute for actually tasting the difference in a product's quality to demonstrate the advantages of the Company's products. The Company carefully selects the national and regional trade and food shows where it either has an existing relationship or considerable previous experience to expect that such shows offer opportunities for fruitful lead generation.

Business Operations

Distribution

The Company's proprietary products are manufactured pursuant to the Company's recipes and formulas by third-party manufacturers under contracts between the Company and its various manufacturers. These contracts require the manufacturers to produce products meeting the Company's specifications and to sell them to Company-approved distributors at prices negotiated between the Company and the manufacturer.

At present, the Company has distribution agreements with its primary distributors strategically located throughout the United States. The distribution agreements require the primary distributors to maintain adequate inventories of all products necessary to meet the needs of the Company's franchisees and licensees in their distribution areas for weekly deliveries to the franchisee/licensee locations and to its grocery store distributors in their respective territories. Each of the primary distributors purchases the products from the manufacturer at prices negotiated between the Company and the manufacturers, but under payment terms agreed upon by the manufacturer and the distributor, and distributes the products to the franchisee/licensee at a price determined by the distribution agreement. Payment terms to the distributor are agreed upon between each franchisee/licensee and the respective distributor. In addition, the Company has agreements with 29 grocery store distributors located in various parts of the country which agree to buy the Company's products from one of its primary distributors and to distribute those products only to their grocery store customers who have signed license agreements with the Company.

Franchising

The Company sells franchises into various non-traditional and traditional venues.

The initial franchise fees are as follows:

Franchise Format	Non-Traditional, Except Hospitals	Hospitals	Traditional Stand-Alone
Noble Roman's Pizza	$ 7,500	$ 10,000	$ 25,000
Tuscano's Subs	$ 6,000	$ 10,000	$ 15,000
Noble Roman's & Tuscano's	$ 11,500	$ 18,000	$ 28,000

The franchise fees are paid upon signing the franchise agreement and, when paid, are deemed fully earned and non-refundable in consideration of the administration and other expenses incurred by the Company in granting the franchises and for the lost and/or deferred opportunities to grant such franchises to any other party.

Licensing

Noble Roman's Take-n-Bake Pizza licenses for grocery stores are governed by a supply agreement. The supply agreement generally requires the licensee to: (1) only purchase proprietary ingredients from a Noble Roman's-approved distributor; (2) assemble the products using only Noble Roman's approved ingredients and recipes; and (3) display products in a manner approved by Noble Roman's using Noble Roman's point-of-sale marketing materials. Pursuant to the distribution agreements, the distributors place an additional mark-up, as determined by the Company, above their normal selling price on the key ingredients as a fee to the Company in lieu of a royalty. The distributors agree to segregate this additional mark-up upon invoicing the licensee, to hold the fees in trust for the Company and to remit them to the Company within ten days after the end of each month

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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 assets, to assess whether any impairment indications are present due to (among other factors) recurring operating losses, significant adverse legal developments, competition, changes in demand for the Company's products or changes in the business climate which 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 periods ended March 31, 2015 and 2016, respectively.

	Three Months Ended March 31			
	2015		2016	
Royalties and fees	97.0	%	96.5	%
Administrative fees and other	.6		.6	
Restaurant revenue	2.4		2.9	
Total revenue	100.0	%	100.0	%
Operating expenses:				
Salaries and wages	15.3		14.1	
Trade show expense	6.9		7.2	
Travel expense	3.1		3.4	
Other operating expense	11.4		11.0	
Restaurant expenses	2.9		2.6	
Depreciation and amortization	1.4		1.7	
General and administrative	22.0		22.8	
Total expenses	63.0		62.8	
Operating income	37.0		37.2	
Interest	2.5		3.1	
Loss on restaurant discontinued	2.5		2.1	
Income before income taxes	32.0		32.0	
Income tax expense	13.0		12.3	
Net income	19.0	%	19.7	%

Results of Operations

Total revenue remained approximately the same at $1.8 million for each of the three-month periods ended March 31, 2016 and March 31, 2015. One-time fees, franchisee fees and equipment commissions (“upfront fees”) decreased from $66,000 to $56,000 in the first quarter 2016 compared to the first quarter 2015. Royalties and fees less upfront fees remained approximately the same at $1.7 million for the three-month periods ended March 31, 2016 and March 31, 2015. The breakdown of royalties and fees, less upfront fees, for the three month periods ended March 31, 2016 and 2015, respectively, were as follows: royalties and fees from non-traditional franchises other than grocery stores were $1.0 million and $1.0 million; fees from the grocery store take-n-bake locations were $476,000 and $402,000; royalties and fees from traditional locations were $60,000 and $65,000; and royalties and fees from stand-alone take-n-bake locations were $123,000 and $236,000, reflecting the decrease in the number of stand-alone take-n-bake locations.

During 2014 and continuing in 2015 and 2016, the Company began auditing the reporting of sales for computing royalties by each non-traditional franchise and plans to continue to do so on an ongoing basis, the effect of which is unknown. The Company estimates franchise sales based on product purchases as reflected on distributor reports and, where under-reporting is identified, the Company has invoiced franchisees on the unreported amounts.

Restaurant revenue increased from $43,000 to $51,000 for the three-month period ended March 31, 2016 compared to the corresponding period in 2015. The reason for the increase was an increase in same store sales. The Company currently operates one restaurant which it uses for demonstration, training and testing purposes.

Salaries and wages decreased from 15.3% to 14.1% of total revenue for the three-month period ended March 31, 2016 compared to the corresponding period in 2015. Actual salaries and wages decreased from $280,000 to $251,000.

Trade show expenses increased from 6.9% of total revenue to 7.2% of total revenue for the three-month period ended March 31, 2016 compared to the corresponding period in 2015. Actual trade show expense increased from $126,000 to $128,000.

Travel expenses increased from 3.1% of total revenue to 3.4% of total revenue for the three-month period ended March 31, 2016 compared to the corresponding period in 2015. Actual travel expense increased from $56,000 to $61,000.

Other operating expenses, as a percentage of total revenue, decreased from 11.4% to 11.0% for the three-month period ended March 31, 2016 compared to the corresponding period in 2015. Actual operating expenses decreased from $208,000 to $195,000.

Restaurant expenses decreased as a percentage of total revenue from 2.9% to 2.6% for the three-month period ended March 31, 2016 compared to the corresponding period in 2015. The primary reason for the decrease was an increase in restaurant revenue and reduced operating expenses. The Company currently operates one restaurant which it is uses for demonstration, training and testing purposes.

General and administrative expenses increased as a percentage of total revenue from 22.0% to 22.8% for the three-month period ended March 31, 2016 compared to the corresponding period in 2015. Actual general and administrative expense increased from $402,000 to $406,000.

Total expenses decreased as a percentage of total revenue from 63.0% to 62.8% for the three-month period ended March 31, 2016 compared to the corresponding period in 2015. Actual expenses remained approximately the same at $1.1 million for the three-month period ended March 31, 2016 and 2015.

Operating income increased as a percentage of total revenue from 37.0% to 37.2% for the three-month period ended March 31, 2016 compared to the corresponding period in 2015. Actual operating income decreased from $677,000 to $662,000 for the three-month period ended March 31, 2016 compared to the corresponding period in 2015.

Interest expense increased as a percentage of total revenue from 2.5% to 3.1% for the three-month period ended March 31, 2016 compared to the corresponding period in 2015. Actual interest expense increased from $46,000 to $55,000. This increase was the result of an increased amount of outstanding debt and a higher effective rate on the outstanding debt.

Loss on restaurant discontinued was $37,000 for the three-month period ended March 31, 2016 compared to $46,000 for the corresponding period in 2015. This restaurant was a part of the discontinued operations in 2008 but the decision was made at that time to continue operating this location until the lease expired. This is a non-recurring expense and it is anticipated there will not be any more expense for this location after March 31, 2016.

Net income increased from $347,000 to $350,000 for the three-month period ended March 31, 2016 compared to the corresponding period in 2015. Earnings per share was $.02 in each period.

Liquidity and Capital Resources

The Company’s current strategy is to grow its business by concentrating on franchising/licensing new non-traditional locations, licensing grocery stores to sell take-n-bake pizza and franchising stand-alone take-n-bake locations. This strategy is intended to not require any significant increase in expenses. The Company does not intend to operate any restaurants except for the location it is currently using for testing and demonstration purposes. This strategy requires limited overhead and operating expense and does not require significant capital investment.

The Company’s current ratio was 1.4-to-1 as of March 31, 2016 compared to 2.9-to-1 as of December 31, 2015. The majority of the Company's outstanding debt is due in the first quarter 2017, therefore it was reclassified from long-term debt at December 31, 2015 to short-term debt at March 31, 2016.

In 2012, the Company entered into a Credit Agreement with BMO Harris Bank, N.A. (the “Bank”) for a term loan in the amount of $5.0 million which was repayable in 48 equal monthly principal installments of approximately $104,000 plus interest with a final payment due in May, 2016. In October, 2013, the Company entered into a First Amendment to the Credit Agreement (the “First Amendment”). The First Amendment maintained the terms of the term loan except for reducing the monthly principal payments from $104,000 to approximately $80,700 and extending the loan’s maturity to February, 2017. All other terms and conditions of the term loan remained the same including interest on the unpaid principal at a rate per annum of LIBOR plus 4%. The First Amendment also provided for a new term loan in the original amount of $825,000, used to redeem the Series B Preferred Stock, requiring monthly principal payments of approximately $20,600 per month commencing in November, 2013 and continuing thereafter until the final payment in February, 2017. The term loan provided for interest on the unpaid principal balance to be paid monthly at a rate per annum of LIBOR plus 6.08%. Proceeds from the term loan were used to redeem the Series B Preferred Stock.

In October, 2014, the Company entered into a Second Amendment to its Credit Agreement (the "Second Amendment"). Pursuant to the Second Amendment, the Company borrowed $700,000 in the form of a term loan repayable in 36 equal monthly installments of principal in the amount of $19,444 plus interest on the unpaid balance of LIBOR plus 6% per annum. The terms and conditions of the Credit Agreement were otherwise unchanged. The Company used the proceeds from the loan for additional working capital, as a result of the recent growth in the grocery store take-n-bake venue.

In July, 2015, the Company borrowed $600,000 from a third-party lender, evidenced by a promissory note which matures in July, 2017. Interest on the note is payable at the rate of 8% per annum quarterly in arrears and this loan is subordinate to borrowings under the Company's bank loan. In connection with the loan, the Company issued, to the holder of the promissory note, a warrant entitling the holder to purchase up to 300,000 shares of the Company's common stock at a price per share of $2.00. The warrant expires July 1, 2020. Proceeds were used to increase working capital in anticipation of expected growth due to the Company hiring two new sales people, a Vice President of Supermarket Development, and entering into an agreement with a franchise broker.

In December 2015, the Company borrowed $175,000 from two officers of the Company, which are evidenced by promissory notes which mature in January 2017. Interest on the notes are payable at the rate of 10% per annum quarterly in arrears and the loans are unsecured. Proceeds were used for working capital.

In January, 2016, the Company entered into a Third Amendment to its Credit Agreement (the "Third Amendment"). Pursuant to the Third Amendment, the Company consolidated its three term loans with the Bank into a new term loan of $1,967,000 repayable in monthly payments of principal in the amount of $54,654 plus interest on the unpaid balance of LIBOR plus 6% per annum. The new term loan matures March 31, 2017 when all remaining principal balance becomes due. In addition, the Third Amendment provides for a revolving loan in the maximum amount of $500,000 with a maturity of March 31, 2017. As of March 31, 2016, $500,000 was outstanding under the revolving loan. Interest on the outstanding balance of the revolving loan is payable at the rate of LIBOR plus 6% per annum payable monthly in arrears.

As a result of the financial arrangements described above and the Company's cash flow projections, the Company believes it will have sufficient cash flow to meet its obligations and to carry out its current business plan until March 31, 2017. The Company will need to refinance its $1.2 million remaining debt as of March 31, 2017. The Company's cash flow projections are primarily based on the Company's strategy of focusing on growth in non-traditional venues and growth in the number of grocery store locations licensed to sell the take-n-bake pizza.

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 except:

The Financial Accounting Standards Board (the "FASB") recently issued Accounting Standards Update ("ASU") 2015-17 as part of its Simplification Initiative. The amendments eliminate the guidance in Topic 740, Income Taxes, that required an entity to separate deferred tax liabilities and assets between current and noncurrent amounts in a classified balance sheet. Rather, deferred taxes will be presented as noncurrent under the new standard. It takes effect in 2017 for public companies and early adoption is permitted.

On February 25, 2016, the FASB issued ASU 2016-02, its leasing standard for both lessees and lessors. Under its core principle, a lessee will recognize lease assets and liabilities on the balance sheet for all arrangements with terms longer than 12 months. The new standard takes effect in 2019 for public business entities.

In April 2016, the FASB issued Accounting Standards Update 2016-10, "Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing". The amendment did not change the core principles of ASU

2014-09, but clarified the accounting for licenses of intellectual property, as well as the identification of distinct performance obligations in a contract. The Company is currently evaluating the impact of this accounting standards update but, as of now, based on the nature of the Company's franchise agreements it is not believed that this change will affect its current accounting treatment.

The Company does not believe these accounting pronouncements will have a material adverse affect on its financial statements.

Forward-Looking Statements

The statements contained above in Management's Discussion and Analysis concerning the Company's future revenues, profitability, financial resources, market demand and product development are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) relating to the Company that are based on the beliefs of the management of the Company, as well as assumptions and estimates made by and information currently available to the Company's management. The Company's actual results in the future may differ materially from those indicated by the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment, including, but not limited to competitive factors and pricing pressures, the ability to refinance its debt in 2017, non-renewal of franchise agreements, shifts in market demand, the success of new franchise programs, including stand-alone take-n-bake locations, general economic conditions, changes in demand for the Company's products or franchises, the impact of franchise regulation, the success or failure of individual franchisees and changes in prices or supplies of food ingredients and labor as well as the factors discussed under "Risk Factors" contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. Should one or more of these risks or uncertainties materialize, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

The Company's exposure to interest rate risk relates primarily to its variable-rate debt. As of March 31, 2016, the Company had outstanding variable interest-bearing debt in the aggregate principal amount of $2.4 million. The Company's current bank borrowings are at a variable rate tied to LIBOR plus 6% per annum adjusted on a monthly basis. Based on its current debt structure, for each 1% increase in LIBOR the Company's interest expense could increase by approximately $20,500 over the succeeding 12-month period.

ITEM 4. Controls and Procedures

Based on their evaluation as of the end of the period covered by this report, A. Scott Mobley, the Company's President and Chief Executive Officer, and Paul W. Mobley, the Company's Executive Chairman and Chief Financial Officer, have 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 not involved in material litigation against it.

ITEM 6. Exhibits.

(a) Exhibits: See the accompanying Exhibit Index.

SIGNATURES

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

NOBLE ROMAN'S, INC.

Date: May 12, 2016	By: /s/ Paul W. Mobley
	Paul W. Mobley, Executive Chairman, Chief Financial Officer and Principal Accounting Officer (Authorized Officer

Index to Exhibits

Exhibit No.	Description
3.1	Amended Articles of Incorporation of the Registrant, filed as an exhibit to the Registrant's Amendment No. 1 to the Post Effective Amendment No. 2 to Registration Statement on Form S-1 filed July 1, 1985 (SEC File No.2-84150), is incorporated herein by reference.
3.2	Amended and Restated By-Laws of the Registrant, as currently in effect, filed as an exhibit to the Registrant's Form 8-K filed December 23, 2009, is incorporated herein by reference.
3.3	Articles of Amendment of the Articles of Incorporation of the Registrant effective February 18, 1992 filed as an exhibit to the Registrant's Registration Statement on Form SB-2 (SEC File No. 33-66850), ordered effective on October 26, 1993, is incorporated herein by reference.
3.4	Articles of Amendment of the Articles of Incorporation of the Registrant effective May 11, 2000, filed as Annex A and Annex B to the Registrant's Proxy Statement on Schedule 14A filed March 28, 2000, is incorporated herein by reference.
3.5	Articles of Amendment of the Articles of Incorporation of the Registrant effective April 16, 2001 filed as Exhibit 3.4 to Registrant's annual report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.
3.6	Articles of Amendment of the Articles of Incorporation of the Registrant effective August 23, 2005, filed as Exhibit 3.1 to the Registrant's current report on Form 8-K filed August 29, 2005, is incorporated herein by reference.
4.1	Specimen Common Stock Certificates filed as an exhibit to the Registrant's Registration Statement on Form S-18 filed October 22, 1982 and ordered effective on December 14, 1982 (SEC File No. 2-79963C), is incorporated herein by reference.
4.2	Warrant to purchase common stock, dated July 1, 2015, filed as Exhibit 10.11 to the Registrant's Form 10-Q filed on August 11, 2015 in incorporated herein by reference.
10.1	Employment Agreement with Paul W. Mobley dated January 2, 1999 filed as Exhibit 10.1 to Registrant's annual report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.
10.2	Employment Agreement with A. Scott Mobley dated January 2, 1999 filed as Exhibit 10.2 to Registrant's annual report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.
10.3	Credit Agreement with BMO Harris Bank, N.A., dated May 25, 2012, filed as Exhibit 10.17 to the Registrant's quarterly report on Form 10-Q filed on August 13, 2012, is incorporated herein by reference.
10.4	First Amendment to Credit Agreement with BMO Harris Bank, N.A. dated October 31, 2013, filed as Exhibit 10.4 to the Registrant's annual report on Form 10-K filed on March 12, 2014, is incorporated herein by reference.
10.5	

	Second Amendment to Credit Agreement with BMO Harris Bank, N.A. dated October 15, 2014, filed as Exhibit 10.7 to the Registrant's annual report on Form 10-K filed on March 12, 2015, is incorporated herein by reference.
10.6	Agreement dated April 8, 2015, by and among Noble Roman's, Inc. and the Shareholder Parties, filed as Exhibit 10.1 to Registrant's Form 8-K filed on April 8, 2015, is incorporated herein by reference.
10.7	Promissory Note payable to Kingsway America, Inc. dated July 1, 2015, filed as Exhibit 10.10 to the Registrant's Form 10-Q filed on August 11, 2015 is incorporated herein by reference.
10.8	Third Amendment to Credit Agreement with BMO Harris Bank, N.A. dated January 22, 2016, filed as Exhibit 10.11 to the Registrant's Form 10-K filed on March 14, 2016 is incorporated herein by reference.
10.9	Promissory Note payable to BMO Harris Bank, N.A. dated January 22, 2016, filed as Exhibit 10.12 to the Registrant's Form 10-K filed on March 14, 2016 is incorporated herein by reference.
10.1	Promissory Note payable to BMO Harris Bank, N.A. dated January 22, 2016, filed as Exhibit 10.13 to the Registrant's Form 10-K filed on March 14, 2016 is incorporated herein by reference.
10.11	Promissory Note payable to Paul Mobley dated December 21, 2015, filed as Exhibit 10.14 to the Registrant's Form 10-K filed on March 14, 2016 is incorporated herein by reference.
10.12	Promissory Note payable to A. Scott Mobley dated December 21, 2015, filed as Exhibit 10.15 to the Registrant's Form 10-K filed on March 14, 2016 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. Certification under Rule 13a-14(a)/15d-14(a)
31.2	C.F.O. Certification under Rule 13a-14(a)/15d-14(a)
32.1	C.E.O. Certification under 18 U.S.C. Section 1350
32.2	C.F.O. Certification under 18 U.S.C. Section 1350
101	Interactive Financial Data

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