NOBLE ROMANS INC
Form 10-K
March 15, 2013

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark one)

X --- 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 | 35-1281154 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (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 X ---

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 X ---

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 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. X ---

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 (do not check if a smaller reporting company) | ___ | Smaller Reporting Company | X |

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

The aggregate market value of the common stock held by non-affiliates of the registrant as of June 30, 2012, 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 $6.1 million.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 19,516,589 shares of common stock as of March 1, 2013.

Documents Incorporated by Reference:

Portions of the definitive proxy statement for the registrant's 2013 Annual Meeting of Shareholders are incorporated by reference in Part III.



NOBLE ROMAN'S, INC.
FORM 10-K
Year Ended December 31, 2012
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# PART 1

## ITEM 1. BUSINESS

### 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 and services franchises and licenses for non-traditional foodservice operations 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 focused its efforts and resources primarily on franchising and licensing for non-traditional locations and now has awarded franchise and/or license agreements in 49 states plus Washington, D.C., Puerto Rico, the Bahamas, Italy, Dominican Republic and Canada. Although from 2005 to 2007 the Company sold some franchises for its concepts in traditional restaurant locations, the Company is currently focusing all of its sales efforts on (1) franchises 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 the Noble Roman's Take-N-Bake Pizza. Pizzaco, Inc. is the owner and operator of the two Company locations used for

testing and demonstration purposes. The Company has no plans to operate any other locations. References in this report to the "Company" are to Noble Roman's, Inc. and its subsidiaries, unless the context requires otherwise.

## Products & Systems

The Company's non-traditional franchises provide high-quality products, simple operating systems, labor minimizing operations and attractive food costs.

### 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.

- Crust made with only specially milled flour with above average protein and yeast.
- Fresh packed, uncondensed sauce made with secret spices, parmesan cheese and vine-ripened tomatoes.
- 100% real cheese blended from mozzarella and Muenster, with no soy additives or extenders.
- 100% real meat toppings, 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.
- A fully-prepared pizza crust that captures the made-from-scratch pizzeria flavor which gets delivered to the franchise location shelf-stable so that dough handling is no longer an impediment to a consistent product.

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### 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 a stand-alone take-n-bake retail outlet. The Company offers the take-n-bake program in grocery stores as a license agreement rather than a franchise agreement, however, the stand-alone take-n-bake pizza is offered under a franchise agreement. In convenience stores, take-n-bake is an available menu offering under the existing franchise agreement. The Company uses the same high quality pizza ingredients for its take-n-bake pizza as with its standard pizza, with slight modifications to portioning for increased home baking performance.

### Tuscano's Italian Style Subs

Tuscano's Italian Style Subs is a separate restaurant concept that focuses on sub sandwich menu items. Tuscano's was designed to be comfortably familiar from a customer's perspective but with many distinctive features that include an Italian-themed menu. The franchise fee and ongoing royalty for a Tuscano's is identical to that charged for a Noble Roman's Pizza franchise. For the most part, the Company awards Tuscano's franchises for some of the same facilities as Noble Roman's Pizza franchises, although Tuscano's franchises are also available for locations that do not have a Noble Roman's Pizza franchise. Noble Roman's 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 and/or Tuscano's Subs locations. Franchisees that opened prior to the development of the grab-n-go service system may add it as an option. The grab-n-go system has already been integrated into the operations of several existing locations and is available to all franchisees. New, non-traditional franchisees have the opportunity to open with both take-n-bake pizza and grab-n-go subs when they acquire a Noble Roman's franchise or license.

## Business Strategy

The Company's business strategy includes the following four 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 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 and licenses are most often sold into pre-existing facilities as a service and/or revenue enhancer for the underlying business. Although the Company's current focus is on non-traditional franchise or license expansion and franchising stand-alone take-n-bake pizza retail outlets, the Company will still seek to capitalize on other franchising opportunities as they present themselves.

As a result of the Company's major focus on non-traditional franchising, 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 except for two restaurants it uses for product testing, demonstration and training purposes. This allows for a more complete focus on selling and servicing franchises and licenses to pursue increased unit growth.



Licensing and Franchising the Company's Take-N-Bake Program. In late 2009, the Company introduced a take-n-bake pizza as an addition to its menu offering. The take-n-bake pizza is designed as a stand-alone offering for grocery stores and an add-on component for new and existing convenience store franchisees or licensees and stand-alone franchise locations. Since the Company started offering take-n-bake pizza to grocery store chains in late 2009, through March 1, 2013, the Company has signed agreements for approximately 1,500 grocery store locations to operate the take-n-bake pizza program and has opened the take-n-bake pizza program in approximately 1,075 of those locations. The Company is currently in discussions with several grocery store operators for numerous locations for additional take-n-bake license agreements. Beginning in August 2011, the Company introduced six new "Signature Specialty Take-N-Bake Pizza" combinations to its current standard offerings. These pizzas feature unique, fun combinations of ingredients with proven customer appeal in other Company venues, and include Hawaiian pizza, Four Cheese pizza, BBQ Pork pizza, BBQ Chicken pizza, Hoppin' Jalapeno pizza and Parmesan Tomato pizza. The Company's strategy with these new combinations is to secure more shelf space in existing locations, to add appeal of the program in order to attract new locations, and to generally increase sales of the Company's products.

In January 2013, in an attempt to increase sales in existing grocery stores, the Company added two optional variations to the standard grocery store take-n-bake

program. The licensee may purchase a Noble Roman's branded display warmer and a small commercial pizza oven for approximately $500 and offer a Noble Roman's SuperSlice hot pizza program. The other variation is for grocery store deli departments to install a menu board and offer the Company's Make-It-Your-Way pizza program. With this variation, the customer can choose from purchasing one of the standard take-n-bake pizzas in the display cooler or the customer can have the deli staff make a pizza with the toppings of the customer's choice.

Franchising the Company's Take-N-Bake Program for Stand-Alone Locations. In 2012, the Company developed a stand-alone take-n-bake pizza prototype and has entered into agreements for 11 locations as of March 1, 2013. The first stand-alone take-n-bake pizza location opened in October 2012, the second location in December 2012 and third location opened in January 2013. Three additional locations are scheduled to open in March 2013 and the remaining five locations will open in the next few months. The Company's stand-alone take-n-bake program features the chain's popular traditional Hand-Tossed Style pizza, Deep-Dish Sicilian pizza, SuperThin pizza and Noble Roman's famous breadsticks with spicy cheese sauce, all in a convenient cook-at-home format. Additional menu items include such items as fresh salads, cookie dough, cinnamon rounds, bake-able pasta and more. The Company is currently in discussions with several other prospects for its stand-alone program and is advertising for additional franchisees through various web-based franchise referral systems. In addition, the Company will demonstrate Noble Roman's stand-alone Take-N-Bake Pizza concept at the National Restaurant Association Show in May 2013.

2. Leverage the results of extensive 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 with a view to producing superior results. The menu items were developed to be delivered in a ready-to-use form requiring only on-site assembly and baking except for take-n-bake pizza, which is sold to bake at home, and certain other 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 very low amounts of labor, thus allowing for a significant competitive advantage due to the speed at which the products can be prepared, baked and served to customers.

For example, in convenience stores and travel plazas, at competitive retail prices, gross margins on Noble Roman's products, after cost of product and royalty, can range from approximately 65% to 70%. The Company believes it maintains a competitive advantage in product cost by using carefully selected, independent third-party manufacturers and independent third-party distributors. This allows the Company to contract for production of proprietary products and services with highly efficient suppliers that have the potential of keeping costs low compared to many competing systems whereby the franchisor owns and operates production and distribution systems much less efficiently.

3. Expand the Company's overall capacity to generate new franchises and licenses.

The Company's Chairman and CEO has assumed the lead position at all of the Company's trade shows across the country, which is the primary means for

demonstrating its product and system advantages to thousands of prospective non-traditional and grocery operators. This focus by the Company's CEO has underscored the Company's current, overriding orientation towards new revenue generation.

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

The Company utilizes four basic methods of reaching potential franchisees and licensees and to communicate its product and system advantages. These methods include: 1) calling from both acquired and in-house prospect lists; 2) frequent direct mail campaigns to targeted prospects; 3) web-based lead capturing; and 4) live demonstrations at trade and food shows. 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 they offer opportunities for fruitful lead generation.

## Business Operations

### Distribution

Primarily all of the Company's 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 with specific specifications and to sell them to Company-approved distributors at a price negotiated between the Company and the manufacturer.



At present, the Company has distribution agreements with 11 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 for weekly deliveries to the franchisee/licensee locations plus the grocery store distributors in their respective territories. Each of the primary distributors purchases the products from the manufacturer, under payment terms agreed upon by the manufacturer and the distributor, and distributes the products to the franchisee/licensee at a price fixed by the distribution agreement, which is landed cost plus a contracted mark-up for distribution. Payment terms to the distributor are agreed upon between each franchisee/licensee and the respective distributor. In addition, the Company has agreements with several grocery store distributors located in various parts of the country which agree to buy their products from one of the primary distributors and to distribute take-n-bake products to their grocery store customers.

### Franchising

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

The initial franchise fees are as follows:

| Franchise | Non-Traditional, except Hospitals | Hospitals | Traditional Stand-Alone |
|---|---|---|---|
| Noble Roman's Pizza | $ 6,000 | $10,000 | $15,000 |
| Tuscano's Subs | $ 6,000 | $10,000 | $15,000 |
| Noble Roman's & Tuscano's | $10,000 | $18,000 | $18,000 |
| Noble Roman's Stand-Alone Take-N-Bake | -- | -- | $15,000 |

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) 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 royalty. The distributors agree to segregate this additional mark-up upon invoicing the licensee, to hold the amount in trust for the Company and to remit such fees to the Company within ten days after the end of each month.

## Competition

The restaurant industry in general is very competitive with respect to convenience, price, product quality and service. In addition, the Company competes for franchise and license sales on the basis of product engineering and quality, investment cost, cost of sales, distribution, simplicity of operation and labor requirements. Actions by one or more of the Company's competitors could have an adverse effect on the Company's ability to sell additional franchises or licenses, maintain and renew existing franchises or licenses, or



sell its products. Many of the Company's competitors are very large, internationally established companies.

Within the competitive environment of the non-traditional franchise and license segment of the restaurant industry, management has defined what it believes to be certain competitive advantages for the Company. First, some of the Company's competitors in the non-traditional segment are also large chains operating thousands of franchised, traditional restaurants. Because of the contractual

relationships with many of their franchisees, some competitors may be unable to offer wide-scale site availability for potential non-traditional franchisees. The Company is not faced with any significant geographic restrictions in this regard.

Most of the Company's competitors in the non-traditional segment were established with little or no organizational history in owning and operating traditional foodservice locations. This lack of operating experience may be a limitation for them in attracting and maintaining non-traditional franchisees or licensees who, by the nature of the segment, often have little exposure to foodservice operations themselves. The Company's background in traditional restaurant operations has provided it experience in structuring, planning, marketing, and controlling costs of franchise or license unit operations which may be of material benefit to franchisees or licensees.

## Seasonality of Sales

Direct sales of non-traditional franchises or licenses may be affected by seasonalities and holiday periods. Sales to certain non-traditional venues may be slower around major holidays such as Thanksgiving and Christmas, and during the first quarter of the year. The Company's sales of take-n-bake pizza in grocery stores are typically slower during the summer months, especially when the weather is hot. Sales to other non-traditional venues show less or no seasonality. Additionally, in middle and northern climates where adverse winter weather conditions may hamper outdoor travel or activities, foodservice sales by franchisees or licensees may be sensitive to sudden drops in temperature or precipitation which would in turn affect Company royalties.

## Employees

As of March 1, 2013, the Company employed approximately 21 persons full-time and 11 persons on a part-time, hourly basis, of which 19 of the full-time employees are employed in sales and service of the franchise/license units and two of the full-time employees and the 11 employed on a part-time basis manage and work at the two Company locations. No employees are covered under collective bargaining agreements, and the Company believes that relations with its employees are good.

## Trademarks and Service Marks

The Company owns and protects several trademarks and service marks. Many of these, including NOBLE ROMAN'S (R), Noble Roman's Pizza(R), THE BETTER PIZZA PEOPLE (R) and Tuscano's Italian Style Subs(R), are registered with the U.S. Patent and Trademark Office as well as with the corresponding agencies of certain other foreign governments. The Company believes that its trademarks and service marks have significant value and are important to its sales and marketing efforts.



## Government Regulation

The Company and its franchisees and licensees are subject to various federal, state and local laws affecting the operation of our respective businesses. Each location is subject to licensing and regulation by a number of governmental authorities, which include health, safety, sanitation, building and other agencies and ordinances in the state or municipality in which the facility is

located. The process of obtaining and maintaining required licenses or approvals can delay or prevent the opening of a location. Vendors, such as our third-party production and distribution services, are also licensed and subject to regulation by state and local health and fire codes, and U. S. Department of Transportation regulations. The Company, its franchisees, licensees and vendors are also subject to federal and state environmental regulations. In certain circumstances, the Company is, or soon may be, subject to various local, state and/or federal laws requiring disclosure of nutritional and/or ingredient information concerning the Company's products, its packaging, menu boards and/or other literature.

The Company is subject to regulation by the Federal Trade Commission ("FTC") and various state agencies pursuant to federal and state laws regulating the offer and sale of franchises. Several states also regulate aspects of the franchisor-franchisee relationship. The FTC requires us to furnish to prospective franchisees a disclosure document containing certain specified information. Several states also regulate the sale of franchises and require registration of a franchise disclosure document with state authorities. Substantive state laws that regulate the franchisor-franchisee relationship presently exist in a substantial number of states and bills have been introduced in Congress from time to time that would provide for additional federal regulation of the franchisor-franchisee relationship in certain respects. State laws often limit, among other things, the duration and scope of non-competition provisions and the ability of a franchisor to terminate or refuse to renew a franchise. Some foreign countries also have disclosure requirements and other laws regulating franchising and the franchisor-franchisee relationship, and the Company would be subject to applicable laws in each jurisdiction where it seeks to market additional franchised units.

Executive Officers of the Company
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Chief Executive Officer and Chairman of the Board - Paul W. Mobley* has been Chairman of the Board, Chief Executive Officer and Chief Financial Officer since December 1991 and a Director since 1974. Mr. Mobley was President of the Company from 1981 to 1997. From 1975 to 1987, Mr. Mobley was a significant shareholder and president of a company which owned and operated 17 Arby's franchise restaurants. From 1974 to 1978, he also served as Vice President and Chief Operating Officer of the Company and from 1978 to 1981 as Senior Vice President. He is the father of A. Scott Mobley. Mr. Mobley has a B.S. in Business Administration from Indiana University and is a CPA.

Chief Operating Officer, President, Secretary and a Director - A. Scott Mobley* has been President since 1997, a Director since January 1992 and Secretary since February 1993. Mr. Mobley was Vice President from November 1988 to October 1997 and from August 1987 until November 1988 served as Director of Marketing for the Company. Prior to joining the Company Mr. Mobley was a strategic planning analyst with a division of Lithonia Lighting Company. Mr. Mobley has a B.S. in Business Administration from Georgetown University and an MBA from Indiana University. He is the son of Paul W. Mobley.

Executive Vice President of Franchising - Troy Branson* has been Executive Vice President for the Company since November 1997 and from 1992 to 1997, he was

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Director of Business Development. Before joining the Company, Mr. Branson was an owner of Branson-Yoder Marketing Group from 1987 to 1992, after graduating from Indiana University where he received a B.S. in Business.

Vice President of Franchise Services - Mitch Grunat has been Vice President of

Franchise Services for the Company since August 2002. Before joining the Company, Mr. Grunat was Chief Operating Officer of Lanter Eye Care from 2001 to 2002, Business Development Officer for Midwest Bankers from 2001 to 2002 and Chief Operating Officer for Tavel Optical Group from 1987 to 2000. Mr. Grunat has a B.A. degree in English and Philosophy from Muskingum College.

Vice President of Operations - James D. Bales has been Vice President of Operations since March 2008. Before becoming Vice President of Operations, Mr. Bales held various positions with the Company beginning in March 2004. Before joining the Company, Mr. Bales had 15 years of management experience in operations and marketing where he held various positions with TCBY starting in 1989. Mr. Bales attended Northern Kentucky University for Graphic Design, Inver Hills Community College for Business Management and obtained his B.S. in Business from the University of Phoenix.

*Each of Messieurs Paul W. Mobley, A. Scott Mobley and Troy Branson are "executive officers" of the Company for purposes of the Securities Exchange Act of 1934, as amended.

## Available Information

We make available, free of charge through our Internet website (http://www.nobleromans.com), our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file these reports with, or furnish them to, the Securities and Exchange Commission. The information on our website is not incorporated into this annual report.

## ITEM 1A. RISK FACTORS

All phases of the Company's operations are subject to a number of uncertainties, risks and other influences, many of which are outside of its control, and any one or a combination of which could materially affect its results of operations. Important factors that could cause actual results to differ materially from the Company's expectations are discussed below. Prospective investors should carefully consider these factors before investing in our securities as well as the information set forth under "Forward-Looking Statements" in Item 7 of this report. These risks and uncertainties include:

Competition from larger companies.

The Company competes for franchise and license sales with large national companies and numerous regional and local companies. Many of its competitors have greater financial and other resources than the Company. The restaurant industry in general is intensely competitive with respect to convenience, price, product quality and service. In addition, the Company competes for franchise and license sales on the basis of several factors, including product engineering and quality, investment cost, cost of sales, distribution, simplicity of operation and labor requirements. Activities of the Company's competitors could have an adverse effect on the Company's ability to sell additional franchises or licenses or maintain and renew existing franchises and licenses or operating results of the Company's system. Unlike the other non-traditional agreements, the take-n-bake license agreements with grocery stores are not for any specified



period of time and, therefore, grocery stores could discontinue offering the

take-n-bake pizza or other retail items at any time. As a result of these factors, the Company may have difficulty competing effectively from time to time or in certain markets.

Dependence on growth strategy.

The Company's primary growth strategy includes selling new franchises or licenses for non-traditional locations and stand-alone take-n-bake pizza retail outlets. The opening and success of new locations will depend upon various factors, which include: (1) the traffic generated by and viability of the underlying activity or business in non-traditional locations; (2) the ability of the franchisee and licensee to operate their locations; (3) their ability to comply with applicable regulatory requirements; and (4) the effect of competition and general economic and business conditions including food and labor costs. Many of the foregoing factors are not within the Company's control. There can be no assurance that the Company will be able to achieve its plans with respect to the opening or operation of new non-traditional or take-n-bake locations.

Dependence on success of franchisees and licensees.

Most of the Company's earnings comes from royalties and other fees generated by its franchisees and licensees which are independent operators, and their employees are not the Company's employees. The Company provides training and support to franchisees and licensees but the quality of the store operations may be diminished by any number of factors beyond the Company's control. Consequently, franchisees and licensees may not successfully operate locations in a manner consistent with the Company's standards and requirements, or may not hire and train qualified managers and other store personnel. If they do not, the Company's image and reputation may suffer, and its revenues and stock price could decline. While the Company attempts to ensure that its franchisees and licensees maintain the quality of its brand and branded products, franchisees and licensees may take actions that adversely affect the value of the Company's intellectual property or reputation.

Dependence on consumer preferences and perceptions.

The restaurant industry and the retail food industry is often affected by changes in consumer tastes, national, regional and local economic conditions, demographic trends, traffic patterns and the type, number and location of competing restaurants. The Company can be substantially adversely affected by publicity resulting from food quality, illness, injury, or other health concerns or operating issues stemming from one restaurant or a limited number of restaurants.

Interruptions in supply or delivery of food products.

Dependence on frequent deliveries of product from unrelated third-party manufacturers through unrelated third-party distributors also subjects the Company to the risk that shortages or interruptions in supply caused by contractual interruptions, market conditions, inclement weather or other conditions could adversely affect the availability, quality and cost of ingredients. In addition, factors such as inflation, market conditions for cheese, wheat, meats, paper and labor may also adversely affect the franchisees and licensees and, as a result, can adversely affect the Company's ability to add new franchised or licensed locations.



Dependence on key executives.

The Company's business has been and will continue to be dependent upon the efforts and abilities of its executive staff generally, and particularly Paul Mobley, our Chairman, Chief Executive Officer and Chief Financial Officer, and A. Scott Mobley, our President and Chief Operating Officer. The loss of either of their services could have a material adverse effect on the Company.

Ongoing litigation.

As described in Item 3 of this report, the Company was a defendant in a lawsuit filed by certain of its former traditional franchisees. The allegations against the Company have been determined to be without merit and have been dismissed. 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 has received a summary judgment in favor of the Company against the Plaintiffs on its counterclaims. The Company has since dismissed claims against all but two of the Plaintiffs based on the Company's determination that only two Plaintiffs had the ability to pay. 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.

Indiana law with regard to purchases of our stock.

Certain provisions of Indiana law applicable to the Company could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company. Such provisions could also limit the price that certain investors might be willing to pay in the future for shares of its common stock. These provisions include prohibitions against certain business combinations with persons or groups of persons that become "interested shareholders" (persons or groups of persons who are beneficial owners of shares with voting power equal to 10% or more) unless the board of directors approves either the business combination or the acquisition of stock before the person becomes an "interested shareholder."

Federal, state and local laws with regard to the operation of the businesses.

The Company is subject to regulation by the FTC and various state agencies pursuant to federal and state laws regulating the offer and sale of franchises. Several states also regulate aspects of the franchisor-franchisee relationship. The FTC requires the Company to furnish to prospective franchisees a disclosure document containing certain specified information. Several states also regulate the sale of franchises and require registration of a franchise disclosure document with state authorities. Substantive state laws that regulate the franchisor-franchisee relationship presently exist in a substantial number of states, and bills have been introduced in Congress from time to time that would provide for federal regulation of the franchisor-franchisee relationship in certain respects. The state laws often limit, among other things, the duration and scope of non-competition provisions and the ability of a franchisor to terminate or refuse to renew a franchise. Some foreign countries also have disclosure requirements and other laws regulating franchising and the



franchisor-franchisee relationship, and the Company would be subject to applicable laws in each jurisdiction where it seeks to market additional

franchise units.

Each franchise location is subject to licensing and regulation by a number of governmental authorities, which include health, safety, sanitation, building and other agencies and ordinances in the state or municipality in which the facility is located. The process of obtaining and maintaining required licenses or approvals can delay or prevent the opening of a franchise location. Vendors, such as the Company's third-party production and distribution services, are also licensed and subject to regulation by state and local health and fire codes, and U. S. Department of Transportation regulations. The Company, its franchisees and its vendors are also subject to federal and state environmental regulations.

Inapplicability of corporate governance standards that apply to companies listed on a national exchange.

Our stock is quoted on the OTC Bulletin Board, a Nasdaq-sponsored and operated inter-dealer automated quotation system for equity securities not included on the Nasdaq Stock Market. We are not subject to the same corporate governance requirements that apply to exchange-listed companies. These requirements include: (1) a majority of independent directors; (2) an audit committee of independent directors; and (3) shareholder approval of certain equity compensation plans. As a result, quotation of our stock on the OTC Bulletin Board limits the liquidity and price of our stock more than if our stock was quoted or listed on a national exchange. There is no assurance that the Company's stock will continue to be authorized for quotation by the OTC Bulletin Board or any other market in the future.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's headquarters are located in 7,600 square feet of leased office space in Indianapolis, Indiana. The lease for this property expires in March 2015.

The Company also leases space for a Company-owned dual-branded restaurant in Indianapolis, Indiana which is used as a demonstration and test restaurant. The lease for this property expires December 31, 2015. The Company has the option to extend the term of this lease for one additional five-year period.

The Company leases space for operating an additional dual-branded restaurant in Indianapolis, Indiana. The lease for this property expires April 4, 2016. The Company has the option to extend the term of this lease for one additional five-year period. This lease also provides for the Company to assign the lease to a franchisee if and when it is franchised.

ITEM 3. LEGAL PROCEEDINGS

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

Kari Heyser, Fred Eric Heyser and Meck Enterprises, LLC, et al v. the Company



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 separate claim by one of the Plaintiffs under the Indiana Franchise Act was settled. 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.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Information

The Company's common stock is included on the Nasdaq "OTC Bulletin Board" and trades under the symbol "NROM."

The following table sets forth for the periods indicated, the high and low bid prices per share of common stock as reported by Nasdaq. The quotations reflect inter-dealer prices without retail mark-up, mark-down or commissions and may not represent actual transactions.

| | 2011 | | 2012 | |
|---|---|---|---|---|
| Quarter Ended: | High | Low | High | Low |
| March 31 | $1.08 | $ .87 | $ .80 | $ .50 |
| June 30 | $1.12 | $ .81 | $ .65 | $ .51 |
| September 30 | $1.01 | $ .76 | $ .79 | $ .61 |
| December 31 | $ .92 | $ .55 | $ .82 | $ .63 |

#### Holders of Record

As of February 27, 2013, there were approximately 281 holders of record of the Company's common stock and 20 holders of preferred stock. This excludes persons whose shares are held of record by a bank, brokerage house or clearing agency.



#### Dividends

The Company has never declared or paid dividends on its common stock. The

Company's current loan agreement, as described in Note 3 of the notes to the Company's consolidated financial statements, prohibits the payment of dividends.

Sale of Unregistered Securities

None.

Equity Compensation Plan Information

The following table provides information as of December 31, 2012 with respect to the shares of our common stock that may be issued under our existing equity compensation plan.

| Plan Category | Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) |
|---|---|---|
| Equity compensation plans approved by stockholders | -- | $ -- |
| Equity compensation plans not approved by stockholders | 3,226,500 | $ .92 |
| Total | 3,226,500 | $ .92 |

(1) The Company may grant additional options under the employee stock option plan. There is no maximum number of shares available for issuance under the employee stock option plan.

The Company maintains an employee stock option plan for its employees, officers and directors. Any employee, officer and director of the Company is eligible to be awarded options under the plan. The employee stock option plan provides that any options issued pursuant to the plan will generally have a three-year vesting period and will expire ten years after the date of grant. Awards under the plan are periodically made at the recommendation of the Chairman/CEO and President and approved by the Board of Directors. The employee stock option plan does not limit the number of shares that may be issued under the plan.



ITEM 6. SELECTED FINANCIAL DATA (In thousands except per share data)

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| Statement of Operations Data: | 2008 | 2009 | 2010 | 2011 |
| Royalties and fees | $ 7,562 | $ 6,949 | $ 6,726 | $ 6,814 |
| Administrative fees and other | 48 | 64 | 40 | 44 |
| Restaurant revenue | 1,432 | 537 | 505 | 518 |

| | | | | |
|---|---|---|---|---|
| Total revenue | 9,042 | 7,550 | 7,271 | 7,376 |
| Operating expenses | 3,184 | 2,247 | 2,150 | 2,202 |
| Restaurant operating expenses | 1,369 | 497 | 502 | 508 |
| Depreciation and amortization | 92 | 79 | 66 | 124 |
| General and administrative | 1,625 | 1,485 | 1,610 | 1,620 |
| Operating income | 2,772 | 3,242 | 2,943 | 2,922 |
| Interest and other | 616 | 467 | 441 | 390 |
| Adjust valuation allowance - Heyser Case | -- | -- | -- | -- |
| Income before income taxes from continuing operations | 2,156 | 2,775 | 2,502 | 2,532 |
| Income taxes | 733 | 1,099 | 991 | 1,003 |
| Net income from continuing operations | 1,423 | 1,676 | 1,511 | 1,529 |
| Loss from discontinued operations | (3,824) | -- | (1,201) | (710) |
| Net income (loss) | $ (2,401) | $ 1,676 | $ 310 | $ 819 |
| Cumulative preferred dividends | 66 | 66 | 91 | 99 |
| Net income (loss) available to common stockholders | $ (2,467) | $ 1,610 | $ 219 | $ 720 |
| Weighted average number of common shares | 19,213 | 19,412 | 19,415 | 19,458 |
| Net income per share from continuing operations | $ .07 | $ .09 | $ .08 | $ .08 |
| Net income (loss) per share | (.13) | .09 | .02 | .04 |
| Net income (loss) per share available to common stockholders | $ (.13) | $ .08 | $ .01 | $ .04 |
| Balance Sheet Data: | | | | |
| Working capital (deficit) | $ 551 | $ 1,517 | $ 927 | $ (852) |
| Total assets | 17,278 | 16,683 | 16,895 | 17,224 |
| Long-term obligations, net of current portion | 5,625 | 4,125 | 3,481 | 1,256 |
| Stockholders' equity | $ 8,962 | $ 10,623 | $ 10,885 | $ 11,728 |

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Introduction

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



There were 1,583 franchised or licensed outlets in operation on December 31, 2011 and 1,847 on December 31, 2012. During that twelve-month period there were 291 new franchised or licensed outlets opened and 27 franchised 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 re-offering them. Therefore, it is unknown how many grocery store licenses have left the system.

As discussed in Note 1 of the notes to the Company's consolidated financial statements, the Company uses significant estimates in evaluating such items as notes and accounts receivable to reflect the actual amount expected to be collected for total receivables. At December 31, 2011 and 2012 the Company reported net accounts and notes receivable of $3.71 million and $3.99 million, respectively, which were net of allowances to reflect the amount the Company expects to realize for the receivables. The Company has reviewed each of its accounts and notes receivable and only included receivables in the amount expected to be collected. The Company has provided an accrual for estimated future expense related to its discontinued operations in the amount of $162,524 as of December 31, 2011 and $160,706 as of December 31, 2012, which was primarily to provide for future legal expenses for the litigation described in "Legal Proceedings" of this report which involves the discontinued operations of the Company. The Company, at December 31, 2011 and December 31, 2012, had a deferred tax asset on its balance sheet totaling $11.013 million and $10.639 million, respectively. After reviewing expected results from the Company's current business plan, the Company believes it is more likely than not that the deferred tax assets will be utilized prior to their expiration, most of which expire between 2018 and 2028.

## Financial Summary

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 may differ from those estimates. The Company evaluates the carrying values of its assets, including property, equipment and related costs, accounts receivable and deferred tax asset, periodically to assess whether any impairment indications are present due to (among other factors) recurring operating losses, significant adverse legal developments, competition, changes in demand for the Company's products or changes in the business climate that affect the recovery of recorded values. If any impairment of an individual asset is evident, a charge will be provided to reduce the carrying value to its estimated fair value.



Condensed Consolidated Statement of Operations Data
Noble Roman's, Inc. and Subsidiaries

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2010 | | 2011 | | |
| Royalties and fees | $6,725,769 | 92.5% | $6,813,946 | 92.4% | $6,823,811 |
| Administrative fees and other | 40,312 | .6 | 44,448 | .6 | 19,872 |
| Restaurant revenue | 505,022 | 6.9 | 517,679 | 7.0 | 456,449 |
| Total revenue | 7,271,103 | 100.0 | 7,376,073 | 100.0 | 7,300,132 |
| Franchise-related operating expenses: | | | | | |
| Salaries and wages | 970,652 | 13.3 | 970,966 | 13.2 | 979,447 |

| | | | | | |
|---|---|---|---|---|---|
| Trade show expense | 301,940 | 4.2 | 351,907 | 4.8 | 498,951 |
| Travel expense | 157,973 | 2.2 | 191,695 | 2.6 | 183,316 |
| Other operating expense | 719,316 | 9.9 | 687,519 | 9.3 | 685,836 |
| Restaurant expenses | 501,976 | 6.9 | 507,838 | 6.9 | 427,127 |
| Depreciation | 66,578 | .9 | 124,009 | 1.6 | 116,287 |
| General and administrative | 1,610,123 | 22.1 | 1,619,778 | 22.0 | 1,593,646 |
| Operating income | 2,942,545 | 40.5 | 2,922,361 | 39.6 | 2,815,522 |
| Interest and other expense | 440,512 | 6.1 | 390,858 | 5.3 | 413,334 |
| Adjust valuation allowance - Heyser Case | -- | -- | -- | -- | 500,000 |
| Income before income taxes | 2,502,033 | 34.4 | 2,531,504 | 34.3 | 1,902,188 |
| Income taxes | 991,056 | 13.6 | 1,002,730 | 13.7 | 753,457 |
| Net income from continuing operations | $1,510,977 | 20.8% | $1,528,774 | 20.6% | $1,148,731 |

2012 Compared to 2011

Total revenue decreased from $7.38 million in 2011 to $7.30 million in 2012. One-time fees, franchisee fees and equipment commissions ("upfront fees") increased from $255,000 in 2011 to $374,000 in 2012. Royalties and fees decreased from $6.56 million in 2011 to $6.45 million in 2012. The breakdown of royalties and fees, less upfront fees, were: royalties and fees from non-traditional franchises other than grocery stores were $4.02 million in 2011 and $4.38 million in 2012; fees from the grocery store take-n-bake were $1.17 million in 2011 and $1.37 million in 2012; and royalties and fees from traditional locations were $1.37 million in 2011 and $707,000 in 2012. Included in royalties and fees from traditional locations were $1.02 million in 2011 and $400,000 in 2012 for royalties and fees recognized as collectible from traditional locations which are no longer operating.

Total fees increased from $1.17 million in 2011 to $1.37 million in 2012, or an increase of $201,000 from grocery store take-n-bake locations primarily as a result of adding new locations. Royalties and fees from non-traditional locations increased from $4.02 million in 2011 to $4.38 million in 2012, or an increase of $352,000. The increases of revenue from grocery store take-n-bake locations and non-traditional locations other than grocery stores were offset by decreases in royalties and fees from traditional locations, which decreased from $1.37 million in 2011 to $707,000 in 2012, or a decrease of $662,000. The



decrease in royalties and fees from traditional locations was primarily the result of the change in royalties and fees recognized as collectible from traditional locations which were no longer operating of $1.02 million in 2011 and $400,000 in 2012, or a decrease of $620,000.

Restaurant revenues decreased from $518,000 in 2011 to $456,000 in 2012. This decrease was the result of same store sales decreasing. The Company only operates two restaurants for testing and demonstration purposes.

Salaries and wages increased from 13.2% of revenue in 2011 to 13.4% of revenue in 2012. This small increase was primarily the result of a decrease in total

revenue. Actual salaries and wages increased slightly from $971,000 in 2011 to $979,000 in 2012.

Trade show expenses increased from 4.8% of revenue in 2011 to 6.8% of revenue in 2012. This increase was the result of more trade show activity, primarily grocery store shows, as a result of adding more grocery store distributors. Actual trade show expenses increased from $352,000 in 2011 to $499,000 in 2012.

Travel expenses decreased from 2.6% of revenue in 2011 to 2.5% of revenue in 2012. This decrease was primarily the result of being able to group grocery store take-n-bake openings together in regions of the country making the travel more efficient. Actual travel expenses decreased from $192,000 in 2011 to $183,000 in 2012.

Other operating expenses increased from 9.3% of revenue in 2011 to 9.4% of revenue in 2012. This increase was primarily the result of a decrease in total revenue. Actual other operating expenses decreased from approximately $688,000 in 2011 to $686,000 in 2012.

Restaurant expenses decreased from 6.9% of revenue in 2011 to 5.9% of revenue in 2012. This decrease was primarily the result of tightly controlling restaurant costs aided by a decrease in restaurant revenue. The Company only operates two restaurants for testing and demonstration purposes and does not intend to operate any more restaurants.

General and administrative expenses decreased from 22.0% of revenue in 2011 to 21.8% of revenue in 2012. Actual general and administrative expenses were approximately $1.62 million in 2011 and $1.59 million in 2012. The decrease in percentage was a result of reduced general and administrative expenses offset by a decrease in total revenue. Actual general and administrative expenses decreased slightly as a result of tightly controlling costs.

Total expenses were $4.45 million, or 60.4% of total revenue in 2011 and $4.48 million, or 61.4% of total revenue in 2012, with an approximate increase of $30,000 in 2012. The increased expenses in 2012 were the result of increased trade show expenses mostly offset by a decrease in other expenses.

Operating income decreased from $2.9 million in 2011 to $2.8 million in 2012. The primary reason for the decrease was an increase in trade show expenses partially offset by a slight increase in royalties and fees income and a decrease in all other expenses.

Interest expense increased from 5.3% of revenue in 2011 to 5.7% of revenue in 2012. Actual interest expense was $391,000 in 2011 compared to $413,000 in 2012. The increase in interest was primarily the result of the Company expensing $93,000 in unamortized loan closing costs from the origination of the former

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bank loan at the time the loan was repaid and recording an expense of $30,000 to terminate the former interest rate swap agreement related to the loan which was repaid. This was mostly offset with the decreased effective interest rate on the new loan that replaced the former loan.

The Company recorded a $500,000 expense in 2012 by increasing the reserve against receivables from former Plaintiffs in the Heyser Case.

Net income from continuing operations decreased slightly from $1.53 million in 2011 to $1.15 million in 2012. This decrease was primarily the result of increased royalties and fees income from non-traditional locations other than grocery stores and grocery store take-n-bake offset by a decrease in royalties

and fees from traditional locations primarily as a result of recognizing $620,000 less in royalties and fees recognized as collectible from traditional locations which are no longer operating. In addition, the Company recorded an additional reserve against collections related to the receivables from the Heyser Case.

Net income per share from continuing operations was $.08 per share in 2011 and $.06 per share in 2012. The weighted average shares outstanding were approximately 19.46 million in 2011 and 19.50 million in 2012. The decrease of $.02 per share was attributable primarily to the Company recording a $500,000 expense by increasing the reserve against collections related to the Heyser Case. The diluted net income per share from continuing operations was $.08 per share in 2011 and $.06 per share in 2012.

Loss on discontinued operations was $710,000 in 2011 and $525,000 in 2012. 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 of the notes to the accompanying consolidated financial statements. 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 and, therefore, charged to loss from 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.

2011 Compared with 2010

Total revenue increased from $7.27 million in 2010 to $7.38 million in 2011. One-time fees, franchisee fees and equipment commissions ("upfront fees") decreased from $377,000 in 2010 to $255,000 in 2011. Royalties and fees increased from $6.35 million in 2010 to $6.56 million in 2011. The breakdown of royalties and fees, less upfront fees, were: royalties and fees from non-traditional franchises other than grocery stores were $4.43 million in 2010 and $4.02 million in 2011; fees from the grocery store take-n-bake were $463,000 in 2010 and $1.17 million in 2011; and royalties and fees from traditional locations were $1.46 million in 2010 and $1.37 million in 2011. Included in royalties and fees from traditional locations were $1.18 million in 2010 and

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$1.02 million in 2011 for royalties and fees recognized as collectible from traditional locations which are no longer operating.

Total fees increased from $463,000 in 2010 to $1.17 million in 2011 from grocery store take-n-bake locations primarily as a result of adding new locations. The increase of revenue from grocery store take-n-bake locations was offset by decreases in royalties and fees from non-traditional locations other than grocery stores and traditional locations. Royalties and fees from non-traditional locations decreased from $4.43 million in 2010 to $4.02 million in 2011. This decrease was primarily the result of loss in revenue from bowling

centers and attractions offset by an increase of 19 in the number of non-traditional locations. Royalties and fees from traditional locations decreased from $1.46 million in 2010 to $1.37 million in 2011. This decrease was the result of a decrease from $1.18 million in 2010 to $1.02 million in 2011 in royalties and fees recognized as collectible from traditional locations which are no longer operating and the loss of eight traditional franchises.

Restaurant revenues increased from $505,000 in 2010 to $518,000 in 2011. This increase was the result of same store sales increasing. The Company only operates two restaurants for testing and demonstration purposes.

Salaries and wages decreased from 13.3% of revenue in 2010 to 13.2% of revenue in 2011. This small decrease was primarily the result of increased revenue. Actual salaries and wages were approximately the same in 2010 and 2011.

Trade show expenses increased from 4.2% of revenue in 2010 to 4.8% of revenue in 2011. This increase was the result of more trade show activity, primarily grocery store shows, as a result of adding more grocery store distributors. Actual trade show expenses increased from $302,000 in 2010 to $352,000 in 2011.

Travel expenses increased from 2.2% of revenue in 2010 to 2.6% of revenue in 2011. This increase was primarily the result of travel expenses incurred to support grocery store take-n-bake licenses opening throughout the country in locations farther away from the headquarters partially offset by increased revenue. Actual travel expenses increased from $158,000 in 2010 to $192,000 in 2011.

Other operating expenses decreased from 9.9% of revenue in 2010 to 9.3% in 2011. This decrease was primarily the result of tightly controlling operating expenses. Actual other operating expenses decreased from approximately $719,000 in 2010 to $688,000 in 2011.

Restaurant expenses remained the same at 6.9% of revenue in 2010 and 2011. The Company only operates two restaurants for testing and demonstration purposes and does not intend to operate any more restaurants.

General and administrative expenses decreased from 22.1% of revenue in 2010 to 22.0% of revenue in 2011. Actual general and administrative expenses were $1.61 million in 2010 and $1.62 million in 2011. The decrease in percentage was a result of increase in revenue. Actual operating expenses only showed a slight increase as a result of tightly controlling costs.

Operating income remained approximately the same at $2.9 million in 2010 and 2011. The small increase in total revenue was offset by small increases in trade show expense and travel expense.

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Interest expense decreased from 6.1% of revenue in 2010 to 5.3% of revenue in 2011. This decrease was a result of a decrease in interest expense and by an increase in revenue. Actual interest expense was $441,000 in 2010 compared to $391,000 in 2011 due to a decrease in average outstanding borrowings partially offset by an increase in the applicable interest rate during the fourth quarter of 2010.

Net income from continuing operations increased slightly from $1.51 million in 2010 to $1.53 million in 2011. This increase was primarily the result of the increase in total revenue.

Net income per share from continuing operations remained the same at $.08 per share in both 2010 and 2011. The weighted average shares outstanding was 19.41

million in 2010 and 19.46 million in 2011. The diluted net income per share from continuing operations remained the same at $.08 per share in 2010 and 2011.

Loss on discontinued operations was $0 in 2009, $1.2 million in 2010 and $710,000 in 2011. 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 defend the Heyser lawsuit, as described in Note 10 of the notes to the accompanying consolidated financial statements. 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 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. An additional accrual was necessary, primarily because, since the Company was granted summary judgment dismissing their fraud claims on December 23, 2010, the Plaintiffs filed numerous motions for reconsideration and an appeal, all of which created additional legal and other expenses.

## Impact of Inflation

The primary inflation factors affecting the Company's operations are food and labor costs to the franchisee. The commodity prices, primarily cheese and meats, were at normal levels, near the ten-year average, in 2009; however, commodity prices increased dramatically in the last half of 2010 and into 2011 until near the end of 2011. During the first portion of 2012 commodity prices stabilized and cheese prices, which make up the single largest cost of a pizza, have returned to near the ten-year average. Labor cost has remained relatively constant in the past two years and, in addition, any labor cost increase in the future for our franchisees will be mitigated by the relatively low labor requirements of the Company's franchise concepts.

## 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 other retail products, and franchising stand-alone take-n-bake locations. This strategy is intended to not require any significant increase in expenses. The Company previously announced the development of the take-n-bake program, which it has been distributing through grocery stores, and it has also created a stand-alone take-n-bake program for an added revenue



growth opportunity. The Company has signed agreements for 11 such locations, the first of which opened in October 2012, the second opened in December 2012 and the third opened in January 2013. Three additional locations are scheduled to open in March 2013 and the remaining five locations will open in the next few months. The strategy is to franchise the stand-alone take-n-bake products, which the Company believes can be done within its existing overhead structure. Additionally, the Company does not operate any restaurants except for two locations for testing and demonstration purposes. This strategy requires limited overhead and operating expense and does not require significant capital

investment.

The Company's current ratio was 2.1-to-1 as of December 31, 2012 compared to 0.8-to-1 as of December 31, 2011. This significant improvement was achieved by refinancing all of its debt into one 48-month amortizing term loan and the continued net income from operating activities.

On May 15, 2012, the Company entered into a Credit Agreement with a bank for a term loan in the amount of $5.0 million which is repayable in 48 equal monthly principal installments of approximately $104,000 plus interest 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 the term loan, net of certain fees and expenses associated with obtaining the term loan, were used to repay existing bank indebtedness and borrowing from an officer of the Company.

As a result of the financial arrangements described above and the Company's cash flow projections, the Company believes it will have sufficient cash flow to meet its obligations and to carry out its current business plan for the foreseeable future. The Company's cash flow projections are based on the Company's strategy of focusing on growth in non-traditional venues, growth in the number of grocery store locations licensed to sell the take-n-bake pizza and the anticipated growth from franchising the new stand-alone take-n-bake locations.

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.

## Contractual Obligations

The following table sets forth the contractual obligations of the Company as of December 31, 2012:

| | Total | Less than 1 year | 1-3 Years | 3-5 Years | More than 5 years |
|---|---|---|---|---|---|
| Long-term debt | $4,270,833 | $1,250,000 | $2,500,000 | $ 520,833 | $ -- |
| Operating leases | 591,383 | 230,632 | 347,501 | 13,250 | -- |
| Total | $4,862,216 | $1,480,632 | $2,847,501 | $ 534,083 | $ -- |

## Forward-Looking Statements

The statements contained above in Management's Discussion and Analysis concerning the Company's future revenues, profitability, financial resources, market demand and product development are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) relating to the Company that are based on the beliefs of the management of the Company, as well as assumptions and estimates made by and information currently available to the Company's management. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations



and business environment, including, but not limited to competitive factors and pricing pressures, 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 and other factors including, but not limited to, changes in demand for the Company's products or franchises, the success or failure of individual franchisees and changes in prices or supplies of food ingredients and labor as well as the factors discussed under "Risk Factors" as contained in this annual report. 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to interest rate risk relates primarily to its variable-rate debt. As of December 31, 2012, the Company had outstanding variable interest-bearing debt in the aggregate principal amount of $4.3 million. The Company's current borrowings are at a variable rate tied to the London Interbank Offered Rate ("LIBOR") plus 4% per annum adjusted on a monthly basis. Based on its current debt structure, for each 1% increase in LIBOR the Company would incur increased interest expense of approximately $36,400 over the succeeding twelve-month period.



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 | $ 144,35 |
| Accounts and notes receivable - net | 884,811 | 1,080,36 |
| Inventories | 338,447 | 460,83 |
| Assets held for resale | 252,552 | 259,57 |
| Prepaid expenses | 278,718 | 379,66 |
| Deferred tax asset - current portion | 1,400,000 | 1,400,00 |
| Total current assets | 3,387,824 | 3,724,80 |

| | | |
|---|---|---|
| Property and equipment: | | |
| Equipment | 1,147,109 | 1,166,10 |
| Leasehold improvements | 12,283 | 12,28 |
| | 1,159,392 | 1,178,38 |
| Less accumulated depreciation and amortization | 851,007 | 905,37 |
| Net property and equipment | 308,385 | 273,01 |
| Deferred tax asset (net of current portion) | 9,613,399 | 9,238,53 |
| Other assets including long-term portion of notes receivable - net | 3,914,523 | 3,924,40 |
| Total assets | $ 17,224,131 | $ 17,160,75 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Current portion of long-term note payable to bank | $ 3,575,000 | $ 1,250,00 |
| Accounts payable and accrued expenses | 665,054 | 510,71 |
| Total current liabilities | 4,240,054 | 1,760,71 |
| Long-term obligations: | | |
| Note payable to bank (net of current portion) | -- | 3,020,83 |
| Note payable to officer | 1,255,821 | -- |
| Total long-term liabilities | 1,255,821 | 3,020,83 |
| 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 | 23,366,05 |
| Preferred stock (5,000,000 shares authorized, 20,625 issued and outstanding as of December 31, 2011 and December 31, 2012) | 800,250 | 800,25 |
| Accumulated deficit | (12,311,970) | (11,787,09 |
| Total stockholders' equity | 11,728,256 | 12,379,21 |
| Total liabilities and stockholders' equity | $ 17,224,131 | $ 17,160,75 |

See accompanying notes to consolidated financial statements.



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

| | Year Ended December | |
|---|---|---|
| | 2010 | 2011 |
| Royalties and fees | $ 6,725,769 | $ 6,813,946 |
| Administrative fees and other | 40,312 | 44,448 |
| Restaurant revenue | 505,022 | 517,679 |
| Total revenue | 7,271,103 | 7,376,073 |

| | | |
|---|---|---|
| Operating expenses: | | |
| Salaries and wages | 970,652 | 970,966 |
| Trade show expense | 301,940 | 351,907 |
| Travel expense | 157,973 | 191,695 |
| Other operating expenses | 719,316 | 687,519 |
| Restaurant expenses | 501,976 | 507,838 |
| Depreciation and amortization | 66,578 | 124,009 |
| General and administrative | 1,610,123 | 1,619,778 |
| Total expenses | 4,328,558 | 4,453,712 |
| Operating income | 2,942,545 | 2,922,361 |
| Interest and other expense | 440,512 | 390,858 |
| Adjust valuation allowance - Heyser Case | -- | -- |
| Income before income taxes from continuing operations | 2,502,033 | 2,531,503 |
| Income tax expense | 991,056 | 1,002,729 |
| Net income from continuing operations | 1,510,977 | 1,528,774 |
| 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) |
| Net income | 310,313 | 818,958 |
| Cumulative preferred dividends | 90,682 | 99,000 |
| Net income available to common stockholders | $ 219,631 | $ 719,958 |
| Earnings per share - basic: | | |
| Net income from continuing operations | $ .08 | $ .08 |
| Net loss from discontinued operations net of tax benefit | $ (.06) | $ (.04) |
| Net income | $ .02 | $ .04 |
| Net income available to common stockholders | $ .01 | $ .04 |
| Weighted average number of common shares outstanding | 19,414,367 | 19,457,810 |
| Diluted earnings per share: | | |
| Net income from continuing operations | $ .08 | $ .08 |
| Net loss from discontinued operations net of tax benefit | $ (.06) | $ (.04) |
| Net income | $ .02 | $ .04 |
| Weighted average number of common shares outstanding | 20,094,961 | 20,112,278 |

See accompanying notes to consolidated financial statements.



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

Common Stock

| | Preferred Stock | Shares | Amount | Accumulat Defici |
|---|---|---|---|---|
| Balance at December 31, 2009 | $ 800,250 | 19,412,499 | $ 23,074,160 | $(13,251, |
| 2010 net income | | | | 310, |
| Cumulative preferred dividends | | | | (90, |
| Amortization of value of stock options | | | 42,157 | |
| Cashless exercise of warrants | | 6,818 | | |
| Balance at December 31, 2010 | $ 800,250 | 19,419,317 | $ 23,116,317 | $(13,031, |
| 2011 net income | | | | 818, |
| Cumulative preferred dividends | | | | (99, |
| Amortization of value of stock options | | | 105,659 | |
| Exercise of employee stock options | | 50,000 | 18,000 | |
| Balance at December 31, 2011 | $ 800,250 | 19,469,317 | $ 23,239,976 | $(12,311, |
| 2012 net income | | | | 624, |
| Cumulative preferred dividends | | | | (99, |
| Amortization of value of stock options | | | 107,882 | |
| Exercise of employee stock options | | 47,272 | 18,200 | |
| Balance at December 31, 2012 | $ 800,250 | 19,516,589 | $ 23,366,058 | $(11,787, |

See accompanying notes to consolidated financial statements..



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

| | Year ended December 3 | |
|---|---|---|
| | 2010 | 2011 |
| OPERATING ACTIVITIES | | |
| Net income | $ 310,313 | $ 818,958 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 158,293 | 298,937 |
| Non-cash expense from loss on discontinued operations | 187,330 | -- |

| | | |
|---|---|---|
| Deferred income taxes | 991,056 | 1,002,729 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts and notes receivable | 94,846 | 19,711 |
| Inventories | (77,907) | (21,534) |
| Prepaid expenses | 6,075 | (42,940) |
| Other assets | (561,952) | (849,910) |
| Increase in: | | |
| Accounts payable and accrued expenses | 219,654 | 10,736 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,327,708 | 1,236,687 |
| INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (5,738) | (8,059) |
| Assets held for resale | (2,751) | (6,274) |
| NET CASH USED BY INVESTING ACTIVITIES | (8,489) | (14,333) |
| FINANCING ACTIVITIES | | |
| Payment of obligations from discontinued operations | (933,809) | (709,816) |
| Payment of cumulative preferred dividends | (90,682) | (99,000) |
| Payment of principal on outstanding under prior bank loan | (1,125,000) | (925,000) |
| Payment of principal officer loan | -- | -- |
| Payment of principal outstanding on new bank loan | -- | -- |
| Payment of alternative minimum tax | -- | -- |
| 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 | -- | -- |
| Proceeds from the exercise of stock options | -- | 18,000 |
| NET CASH USED BY FINANCING ACTIVITIES | (1,315,379) | (1,326,102) |
| Increase (decrease) in cash | 3,840 | (103,748) |
| Cash at beginning of year | 333,204 | 337,044 |
| Cash at end of year | $ 337,044 | $ 233,296 |

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

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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.

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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 dicussed 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 | | | |
|---|---|---|---|---|
| 2012 | December 31 | September 30 | June 30 | March |
| | (in thousands, except per share data) | | | |
| Total revenue | $ 1,724 | $ 1,845 | $ 1,894 | $ 1,8 |
| Operating income | 624 | 726 | 765 | 7 |
| Net income before income taxes from continuing operations | 66 | 665 | 567 | 6 |
| Net income from continuing operations | 40 | 402 | 342 | 3 |
| Loss from discontinued operations | 525 | -- | -- | -- |
| Net income (loss) | (485) | 402 | 342 | 3 |
| Net income from continuing operations per common share | | | | |
| | -- | .02 | .02 | . |
| Basic | | | | |
| Diluted | -- | .02 | .02 | . |
| Net income (loss) per common share | | | | |
| Basic | (.02) | .02 | .02 | . |
| Diluted | (.02) | .02 | .02 | . |

| | Quarter Ended | | | |
|---|---|---|---|---|
| 2011 | December 31 | September 30 | June 30 | March |
| | (in thousands, except per share data) | | | |
| Total revenue | $ 1,928 | $ 1,766 | $ 1,880 | $ 1,8 |
| Operating income | 832 | 641 | 741 | 7 |
| Net income before income taxes from continuing operations | 736 | 542 | 644 | 6 |
| Net income from continuing operations | 444 | 328 | 389 | 3 |
| Loss from discontinued operations | (394) | (316) | -- | -- |

| | | | | |
|---|---|---|---|---|
| Net income | 50 | 12 | 389 | 3 |
| Net income from continuing operations per common share | | | | |
| | .02 | .02 | .02 | . |
| Basic | | | | |
| Diluted | .02 | .02 | .02 | . |
| Net income per common share | | | | |
| Basic | .00 | .00 | .02 | . |
| Diluted | .00 | .00 | .02 | . |

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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.

Indianapolis, Indiana
March 14, 2013

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Our management, including Paul W. Mobley, the Company's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2012.

Internal Control Over Financial Reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with United States generally accepted accounting principles ("GAAP") and includes those policies and procedures that:

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of applicable limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Public Company Accounting Oversight Board's Auditing Standard No. 5 defines a material weakness as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A deficiency in internal control over reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Based on his evaluation as of the end of the period covered by this report, Paul

W. Mobley, the Company's Chief Executive Officer and Chief Financial Officer, has concluded that the Company's disclosure controls and procedures (as defined



in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are effective. It was also concluded that the Company's internal controls over financial reporting 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.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

ITEM 9B. OTHER INFORMATION

None.

## PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS OF THE REGISTRANT AND CORPORATE GOVERNANCE

Information concerning this item is included under captions "Election of Directors", "Section 16(a) Beneficial Ownership Reporting Compliance," and "Corporate Governance" in our Proxy Statement for our 2013 Annual Meeting of Shareholders (the "Proxy Statement") and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning this item is included under the caption "Executive Compensation", "Director Compensation", "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" in the 2013 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information concerning this item is included in Item 5 of this report under the caption "Equity Compensation Plan Information" and under the caption "Security Ownership of Certain Beneficial Owners and Management" in the 2013 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information concerning this item is included under the caption "Corporate Governance" in the 2013 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information concerning this item is included under the caption "Independent Auditors' Fees" in the 2013 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements of Noble Roman's, Inc. and Subsidiaries are included in Item 8:


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|---|---|
| Consolidated Balance Sheets - December 31, 2011 and 2012 | 26 |
| Consolidated Statements of Operations - years ended December 31, 2010, 2011 and 2012. | 27 |
| Consolidated Statements of Changes in Stockholders' Equity - years ended December 31, 2010, 2011 and 2012 | 28 |
| Consolidated Statements of Cash Flows - years ended December 31, 2010, 2011 and 2012 | 29 |
| Notes to Consolidated Financial Statements | 30 |
| Report of Independent Registered Accounting Firm. - Somerset CPAs, P.C. | 40 |


Exhibits

| Exhibit Number | 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. |

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

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

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

10.1 Employment Agreement with Paul W. Mobley dated January 2, 1999 filed as Exhibit 10.1 to Registrant's annual report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.

10.2 Employment Agreement with A. Scott Mobley dated January 2, 1999 filed as Exhibit 10.2 to Registrant's annual report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.

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

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

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

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

10.7 Second Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated November 10, 2010, filed as Exhibit 10.7 to the Registrant's quarterly report on Form 10-Q filed November 10, 2010, is incorporated herein by reference.

10.8 Third Amendment to the Loan Agreement with Wells Fargo Bank, N.A. dated March 10, 2011, filed as Exhibit 10.10 to the Registrant's annual report on Form 10-K filed on March 13, 2012, is incorporated herein by reference.

10.9 Promissory Note payable to Paul Mobley dated November 1, 2010 filed as Exhibit 10.8 to the Registrant's quarterly report on Form 10-Q filed on November 10, 2010, is incorporated herein by reference.

10.10 Fourth Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated July 19, 2011, filed as Exhibit 10.12 to the Registrant's annual report on Form 10-K filed on March 13, 2012, is incorporated herein by reference.

10.11 Fifth Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated October 28, 2011, filed as Exhibit 10.13 to the Registrant's annual

report on Form 10-K filed March 13, 2012, is incorporated herein by reference.

10.12 Sixth Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated December 1, 2011, filed as Exhibit 10.14 to the Registrant's annual report on Form 10-K filed on March 13, 2012, is incorporated herein by reference.



10.13 Seventh Amendment to Loan Agreement with Wells Fargo Bank, N.A. dated January 30, 2012 filed as Exhibit 10.15 to the Registrant's annual report on Form 10-K filed on March 13, 2012, is incorporated herein by reference.

10.14 Amended Promissory Note to Paul Mobley dated December 21, 2011, filed as Exhibit 10.16 to the Registrant's annual report on Form 10-K filed on March 13, 2012, is incorporated herein by reference.

10.15 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.

10.16 Promissory Note to BMO Harris Bank, N.A. dated May 15, 2012, filed as Exhibit 10.18 to the Registrant's quarter report on Form 10-Q filed on August 13, 2012, is incorporated herein by reference.

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

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

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

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SIGNATURES

In accordance with 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: March 15, 2013 By: /s/ Paul W. Mobley

Paul W. Mobley, Chairman,
Chief Executive Officer,
Chief Financial Officer and
Principal Accounting Officer

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 15, 2013 /s/ Paul W. Mobley

Paul W. Mobley
Chairman of the Board and Director

Date: March 15, 2013 /s/ A. Scott Mobley

A. Scott Mobley
President and Director

Date: March 15, 2013 /s/ Douglas H. Coape-Arnold

Douglas H. Coape-Arnold
Director

Date: March 15, 2013 /s/ Jeffrey R. Gaither

Jeffrey R. Gaither
Director