

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## NOBLE ROMANS INC

**Form: 10-K**

**Date Filed: 2017-03-27**

Corporate Issuer CIK: 709005

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

(Mark one)

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
for the fiscal year ended December 31, 2016.
- Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**  
for the transition period from \_\_\_\_ to \_\_\_\_.

Commission file number 0-11104

**NOBLE ROMAN'S, INC.**

*(Exact name of registrant as specified in its charter)*

**Indiana**

*(State or other jurisdiction  
of incorporation or organization)*

**35-1281154**

*(I.R.S. Employer  
Identification No.)*

**One Virginia Avenue, Suite 300  
Indianapolis, Indiana 46204**

*(Address of principal executive offices)*

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  Smaller Reporting Company   
(do not check if a smaller reporting company)

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

The aggregate market value of the common stock held by non-affiliates of the registrant as of June 30, 2016, 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 \$10 million.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 20,783,032 shares of common stock as of March 20, 2017.

Documents Incorporated by Reference:

Portions of the definitive proxy statement for the registrant's 2017 Annual Meeting of Shareholders are incorporated by reference in Part III.

NOBLE ROMAN'S, INC.  
FORM 10-K  
Year Ended December 31, 2016  
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**ITEM 1. BUSINESS****General Information**

Noble Roman's, Inc., an Indiana corporation incorporated in 1972 with three wholly-owned subsidiaries, Pizzaco, Inc., N.R. Realty, Inc. and RH Roanoke, Inc., sells and services franchises and licenses for non-traditional foodservice operations and stand-alone locations under the trade names "Noble Roman's Pizza," "Noble Roman's Take-N-Bake," "Noble Roman's Craft Pizza & Pub" and "Tuscano's Italian Style Subs." The concepts' hallmarks include high quality pizza and sub sandwiches, along with other related menu items, simple operating systems, fast service times, labor-minimizing operations, attractive food costs and overall affordability. Since 1997, the Company has concentrated its efforts and resources primarily on franchising and licensing for non-traditional locations and now has awarded franchise and/or license agreements in 50 states plus Washington, D.C., Puerto Rico, the Bahamas, Italy, the Dominican Republic and Canada. During 2016, the Company created a new stand-alone concept called Noble Roman's Craft Pizza & Pub. In recent years the Company has focused its sales efforts on (1) franchises/licenses for non-traditional locations primarily in convenience stores and entertainment facilities and (2) license agreements for grocery stores to sell the Noble Roman's Take-N-Bake Pizza. In 2017, the Company will maintain that same focus and expects to begin to add franchising Noble Roman's Craft Pizza & Pub to its business as well. Pizzaco, Inc. currently owns and operates two Company locations, RH Roanoke, Inc. operates a Company location and Noble Roman's, Inc. owns and operates a Craft Pizza & Pub location which it intends to use as a base to support the franchising of that concept. References in this report to the "Company" are to Noble Roman's, Inc. and its subsidiaries, unless the context requires otherwise.

**Noble Roman's Pizza**

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

- A fully-prepared pizza crust that captures the made-from-scratch pizzeria flavor which gets delivered to non-traditional locations in a shelf-stable condition so that dough handling is no longer an impediment to a consistent product in non-traditional locations.
- In-store fresh made crust with only specially milled flour with above average protein and yeast for use in its Noble Roman's Craft Pizza & Pub locations, the first of which opened in January 2017.
- Fresh packed, uncondensed and never cooked sauce made with secret spices, parmesan cheese and vine-ripened tomatoes in all venues.
- 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 in non-traditional locations and vegetables will be sliced fresh on premises in the Noble Roman's Craft Pizza & Pub locations.
- An extended product line that includes breadsticks and cheesy stix with dip, pasta, baked sandwiches, salads, wings and a line of breakfast products for the non-traditional locations.

### **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 and as an offering for grocery store delis. The Company offers the take-n-bake program in grocery stores under a license agreement rather than a franchise agreement. In convenience stores, take-n-bake is an available menu offering under the existing franchise/license agreement. The Company uses the same high quality pizza ingredients for its take-n-bake pizza as with its baked pizza, with slight modifications to portioning for enhanced home baking performance.

### **Tuscano's Italian Style Subs**

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

### **Noble Roman's Craft Pizza & Pub**

In January 2017, the Noble Roman's Craft Pizza & Pub opened in Westfield, Indiana, a prosperous and growing community on the northwest side of Indianapolis. Noble Roman's Craft Pizza & Pub is designed to harken back to the Company's early history when it was known simply as "Pizza Pub." Like then, and like the new full-service pizza concepts today, ordering takes place at the counter and food runners deliver orders to the dining room for dine-in guests. The Company believes that Noble Roman's Craft Pizza & Pub features many enhancements over the current competitive landscape. The restaurant features two styles of hand-crafted, made-from-scratch pizzas with a selection of 40 different toppings, cheeses and sauces from which to choose. Beer and wine also are featured, with 16 different beers on tap including both national and local craft selections. Wines include 16 high quality, affordably priced options by the bottle or glass in a range of varietals. Beer and wine service is provided at the bar and throughout the dining room.

The pizza offerings feature Noble Roman's traditional hand-crafted thinner crust as well as its signature deep-dish Sicilian crust. New technology and extensive research and development enable fast cook times, with oven speeds running only 2.5 minutes for traditional pies and 5.75 minutes for Sicilian pies. Traditional pizza favorites such as pepperoni are options on the menu, but also offered is a selection of original creations such as "Pig in the Apple Tree," a pizza featuring bacon, diced apples, candied walnuts and gorgonzola cheese. The menu also features a selection of contemporary and fresh, made-to-order salads such as "Avocado Chicken Caesar," and fresh-cooked pasta like "Chicken Fettuccine Alfredo." The menu includes baked subs, hand-sauced wings and a selection of desserts, as well as Noble Roman's famous Breadsticks with Spicy Cheese Sauce.

Additional enhancements include a glass enclosed "Dough Room" where Noble Roman's Dough Masters hand make all pizza and breadstick dough from scratch in customer view. Also in the dining room is a "Dusting & Drizzle Station" where guests can customize their pizzas after they are baked with a variety of toppings and drizzles, such as rosemary infused olive oil, honey and Italian spices. Kids enjoy Noble Roman's root beer tap, which is part of a special menu for customers 12 and younger. Throughout the dining room and the bar area are 13 large and giant screen television monitors for sports and the nostalgic black and white shorts featured in Noble Roman's earlier days.

## **Business Strategy**

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

### **1. Focus on revenue expansion through franchising/licensing traditional and non-traditional locations:**

***Sales of Non-Traditional Franchises and Licenses.*** The Company believes it has an opportunity for increasing unit and revenue growth within its non-traditional venue, particularly with grocery store delis, convenience stores including Circle K franchise stores, travel plazas, Walmart stores and entertainment facilities. The Company's franchises/licenses in non-traditional locations are foodservice providers within a host business and usually require a substantially lower investment compared to stand-alone traditional locations.

***Sale of Traditional Franchises.*** The Company has developed the next generation stand-alone prototype for its Noble Roman's Craft Pizza & Pub format. The Company has opened one location as a Company-owned store and plans to open a second location, followed by an aggressive plan to promote franchising in concentric circles from those locations.

### **2. Leverage the results of research and development advances.**

The Company has invested significant time and effort to create what it considers to be competitive advantages in its products and systems for both its non-traditional and traditional locations. The Company will continue to make these advantages the focal point in its marketing process. The Company believes that the quality and freshness of its products, their cost-effectiveness, relatively simple production and service systems, and its diverse, modularized menu offerings will contribute to the Company's strategic attributes and growth potential. The menu items for the non-traditional locations were developed to be delivered in a ready-to-use format requiring only on-site assembly and baking except for take-n-bake pizza, which is sold to bake at home. The Company believes this process results in products that are great tasting, quality consistent, easy to assemble, relatively low in food cost, and require minimal labor, which allows for a significant competitive advantage in the non-traditional locations due to the speed and simplicity at which the products can be prepared, baked and served to customers.

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

The Company utilizes the following methods of reaching potential franchisees and licensees and to communicate its product and system advantages: (1) calling from both acquired and in-house prospect lists; (2) frequent direct mail campaigns to targeted prospects; (3) web-based lead capturing; 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 such shows offer opportunities for fruitful lead generation.

## **Business Operations**

### **Distribution**

The Company's proprietary ingredients 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 ingredients meeting the Company's specifications and to sell them to Company-approved distributors at prices negotiated between the Company and the manufacturer.

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

### **Franchising**

The Company sells franchises for both non-traditional and traditional locations.

The initial franchise fees are as follows:

<b>Franchise Format</b>	<b>Non-Traditional, Except Hospitals</b>	<b>Hospitals</b>	<b>Traditional Stand-Alone</b>
Noble Roman's Pizza	\$ 7,500	\$ 10,000	\$ 30,000 <sup>(1)</sup>
Tuscano's Subs	\$ 6,000	\$ 10,000	-
Noble Roman's & Tuscano's	\$ 11,500	\$ 18,000	-

(1) With the sale of multiple traditional stand-alone franchises to a single franchisee, the franchise fee for the first unit is \$30,000, the franchise fee for the second unit is \$25,000 and the franchise fee for the third unit and any additional unit is \$20,000.

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 only 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 distributor agreements, the primary distributors place an additional mark-up, as determined by the Company, above their normal selling price on the key ingredients as a fee for the Company in lieu of royalty. The distributors agree to segregate this additional mark-up upon invoicing the licensee, to hold the fees in trust for the Company and to remit them to the Company within ten days after the end of each month.

## Competition

The restaurant industry and the retail food industry in general are 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 identified what it believes to be certain competitive advantages for the Company. First, some of the Company's competitors in the non-traditional venue 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.

Many of the Company's competitors in the non-traditional venue were established with little or no organizational history operating traditional foodservice locations. This lack of operating experience may limit their ability to attract and maintain non-traditional franchisees or licensees who, by the nature of the venue, 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.

The Company's new Noble Roman's Craft Pizza & Pub format competes with similar restaurants in its service area. Some of the competitors are company-owned or franchised locations of large chains and others are independently owned. Many of the Company's competitors are large and well-established.

## 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. Additionally, extreme winter weather conditions, compared to the norm for the various regions of the country, adversely affect franchisee's/licensee's sales, which in turn affects Company royalties.



## **Employees**

As of March 1, 2017, the Company employed approximately 26 persons full-time and 53 persons on a part-time, hourly basis, of which 20 of the full-time employees are employed in sales and service of the franchise/license units and six full-time employees and all 53 employed on a part-time basis manage and work the Company-owned restaurant locations. No employees are covered under a collective bargaining agreement. 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®, Noble Roman's Pizza®, THE BETTER PIZZA PEOPLE®, "Noble Roman's Take-N-Bake Pizza," "Noble Roman's Craft Pizza & Pub" and Tuscano's Italian Style Subs®, 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, including the Company's Noble Roman's Craft Pizza & Pub location, is subject to licensing and regulation by a number of governmental authorities, which include health, safety, sanitation, building, employment, alcohol 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, as well as laws and regulations relating to minimum wage and other employment-related matters. 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. Changes in the laws and rules applicable to the Company or its franchisees or licensees, or their interpretation, could have a material adverse effect on the Company's business.

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 is subject to applicable laws in each jurisdiction where it seeks to market additional franchised units.

## **Officers of the Company**

Executive Chairman of the Board and Chief Financial Officer - Paul W. Mobley\* was Chairman of the Board, Chief Executive Officer and Chief Financial Officer from 1991 until 2014 when he became Executive Chairman and Chief Financial Officer. Mr. Mobley has been a Director and an Officer since 1974. Mr. Mobley has a B.S. in Business Administration from Indiana University and is a CPA. He is the father of A. Scott Mobley.

President, Chief Executive Officer, Secretary and a Director - A. Scott Mobley\* has been President since 1997, a Director since 1992, Secretary since 1993 and Chief Executive Officer since 2014. Mr. Mobley was Vice President from 1988 to 1997 and from 1987 until 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 magna cum laude 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 1997 and from 1992 to 1997, he was 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.

*\*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.*

Vice President of Development - James D. Bales has been Vice President of Operations/Development since March 2008. Before becoming Vice President of Operations/Development, Mr. Bales held various positions with the Company beginning in 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.

## **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 the operating results of the Company's system. Unlike the other non-traditional agreements, most of 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, including grocery stores and stand-alone pizza restaurants. 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 franchisees and licensees to operate their locations effectively; (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 franchises/licenses or stand-alone locations.

**Success of the new Noble Roman's Craft Pizza & Pub concept**

The Company plans to open and operate a minimum of two locations of the Noble Roman's Craft Pizza & Pub and, once open, the Company plans to launch a major franchising effort based on Noble Roman's Craft Pizza & Pub. The first Noble Roman's Craft Pizza & Pub opened on January 31, 2017. This plan requires additional capital investment. The Company may not be able to operate the Noble Roman's Craft Pizza & Pub locations successfully. The opening and operation of these locations may cost more than we have budgeted. Further, we may not be able to successfully franchise this concept. The success of the Company's plans will depend upon various factors, which include the traffic generated by and viability of the new locations and our ability to successfully market this concept to potential franchisees. These factors may not be 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 the Noble Roman's Craft Pizza & Pub locations or the franchising of the concept.

**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 is dependent on the franchisees to accurately report their weekly sales and, consequently, the calculation of royalties. If the franchisees do not accurately report their sales, the Company's revenue could decline. The Company provides training and support to franchisees and licensees but the quality of the store operations and collectability of the receivables may be diminished by a 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. Initiatives to increase the Federal minimum wage could have an adverse financial effect on our franchisees or licensees by increasing their labor cost.

***Dependence on distributors.***

The success of the Company's license and franchise offerings depends upon the Company's ability to engage and retain unrelated, third-party distributors. The Company's distributors collect and remit certain of the Company's royalties and must reliably stock and deliver products to our licensees and franchisees. The Company's inability to engage and retain quality distributors, or a failure by distributors to perform in accordance with the Company's standards, could have a material adverse effect on the Company.

***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, other health concerns or operating issues stemming from one restaurant or retail outlet or a limited number of restaurants and retail outlets.

***Ability to service or refinance our outstanding indebtedness and the dilutive effect of our outstanding convertible debt***

We have substantial debt obligations. At December 31, 2016, our total debt was approximately \$5.8 million. Our outstanding debt includes certain indebtedness evidenced by convertible promissory notes we issued, along with certain warrants exercisable for the Company's common stock, in a private placement in 2016 and 2017.

We may not be able to generate sufficient cash flow from our operations to repay our indebtedness when it becomes due and to meet our other cash needs. If we are not able to pay our debts as they become due, we will be required to pursue one or more alternative strategies, such as selling assets, refinancing or restructuring our indebtedness or selling additional debt or equity securities. We may not be able to refinance our debt or sell additional debt or equity securities or our assets on favorable terms, if at all, and if we have to sell our assets, that sale may negatively affect our ability to generate revenue.

Additionally, the issuance of shares of common stock upon the conversion of our outstanding convertible promissory notes or the exercise of the warrants issued in connection with the sale of the convertible promissory notes would have a dilutive effect on our stockholders.

***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 W. Mobley, our Executive Chairman and Chief Financial Officer, and A. Scott Mobley, our President and Chief Executive Officer. The loss of either of their services could have a material adverse effect on the Company.

***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 and Company-owned location is subject to licensing and regulation by a number of governmental authorities, which include health, safety, sanitation, building, alcohol, employment 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.

***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."

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

Our stock is quoted on the OTCQB, 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 OTCQB 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 OTCQB 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 on March 31, 2018.

The Company also leases space for its Company-owned restaurants in Indianapolis, Indiana which expires December 31, 2020, in Westfield, Indiana which expires in January 2027, in Roanoke, Virginia which expires in August 2018 and in Jacksonville, North Carolina which expires in December 2017.

**ITEM 3. LEGAL PROCEEDINGS**

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

Currently, there are no such pending proceedings which the Company considers to be material.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## 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 OTCQB 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.

Quarter Ended:	2015		2016	
	High	Low	High	Low
March 31	\$ 2.47	\$ 1.97	\$ 1.10	\$ .80
June 30	\$ 2.38	\$ 1.85	\$ .88	\$ .47
September 30	\$ 2.00	\$ 1.34	\$ .69	\$ .49
December 31	\$ 1.55	\$ .94	\$ .50	\$ .37

#### Holdings of Record

As of March 15, 2017, there were approximately 262 holders of record of the Company's common 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 included in Item 8 of this report, prohibits the payment of dividends on common stock.

#### Sale of Unregistered Securities

In the fourth quarter of 2016, the Company issued certain convertible, subordinated, unsecured promissory notes (the "Notes") in the aggregate principal amount of \$1.6 million and warrants (the "Warrants") to purchase up to 1.6 million shares of the Company's common stock.

Each holder of the Notes may convert them at any time into shares of the Company's common stock at a conversion price of \$0.50 per share (subject to anti-dilution adjustment). Subject to certain limitations, upon 30 days' notice the Company may require the Notes to be converted into common stock if the daily average weighted trading price of the common stock equals or exceeds \$2.00 per share for a period of 30 consecutive trading days. The Warrants expire three years from the date of issuance and provide for an exercise price of \$1.00 per share of common stock (subject to anti-dilution adjustment). Subject to certain limitations, the Company may redeem the Warrants at a price of \$0.001 per share of common stock subject to the Warrant upon 30 days' notice if the daily average weighted trading price of the common stock equals or exceeds \$1.50 per share for a period of 30 consecutive trading days.

The Company offered and issued the Notes and Warrants in reliance on Section 4(a)(2) and Rule 506 of Regulation D of the Securities Act of 1933, as amended. The Notes and Warrants were issued to accredited investors in privately negotiated transactions and not pursuant to any public solicitation.

Repurchases of Equity Securities

None.

Equity Compensation Plan Information

The following table provides information as of December 31, 2016 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)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders	-	\$ -	-
Equity compensation plans not approved by stockholders	2,957,667	\$ .69	(1)
<b>Total</b>	<b>2,957,667</b>	<b>\$ .69</b>	<b>(1)</b>

(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 Executive Chairman and the President and Chief Executive Officer and authorized 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,				
	2012	2013	2014	2015	2016
<b>Statement of Operations Data:</b>					
Royalties and fees	\$ 6,824	\$ 7,083	\$ 7,479	\$ 7,465	\$ 7,351
Administrative fees and other	20	24	73	56	42
Restaurant revenue	456	421	363	208	443
Total revenue	7,300	7,528	7,915	7,729	7,836
Operating expenses	2,348	2,527	2,716	2,774	2,549
Restaurant operating expenses	427	391	402	248	443
Depreciation and amortization	116	114	112	106	125
General and administrative	1,594	1,647	1,646	1,660	1,642
Operating income	2,815	2,849	3,039	2,941	3,077
Interest	413	201	190	187	615
Loss on restaurant discontinued	-	-	-	191	37
Change in fair value of derivative	-	-	-	-	44
Adjust valuation of receivables - including the Heyser case	500	1,208	-	1,230	1,104
Income before income taxes from continuing operations	1,902	1,440	2,849	1,333	1,277
Income taxes	753	569	1,105	512	488
Net income from continuing operations	1,149	871	1,744	821	789
Loss from discontinued operations	(525)	(780)	(154)	(35)	(1,660)
Net income (loss)	\$ 624	\$ 91	\$ 1,590	\$ 786	\$ (871)
Cumulative preferred dividends	99	99	-	-	-
Net income (loss) available to common stockholders	\$ 525	\$ (8)	\$ 1,590	\$ 786	\$ (871)
Weighted average number of common shares	19,498	19,533	19,871	20,518	20,782
Net income per share from continuing operations	\$ .06	\$ .05	\$ .09	\$ .04	\$ .04
Net income (loss) per share	.03	.01	.08	.04	(.04)
Net income (loss) per share available to common stockholders	\$ .03	\$ -	\$ .08	\$ .04	\$ (.04)
<b>Balance Sheet Data:</b>					
Working capital	\$ 1,964	\$ 1,451	\$ 2,267	\$ 2,805	\$ 2,429
Total assets	17,161	16,374	17,758	18,465	19,899
Long-term obligations, net of current portion	3,021	2,635	1,847	2,141	3,755
Stockholders' equity	\$ 12,379	\$ 11,703	\$ 13,766	\$ 14,875	\$ 14,018

## 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 and stand-alone locations under the trade names "Noble Roman's Pizza," "Noble Roman's Take-N-Bake," "Noble Roman's Craft Pizza & Pub" and "Tuscano's Italian Style Subs." The concepts' hallmarks include high quality pizza and sub sandwiches, along with other related menu items, simple operating systems, fast service times, labor-minimizing operations, attractive food costs and overall affordability. Since 1997, the Company has concentrated its efforts and resources primarily on franchising and licensing for non-traditional locations and now has awarded franchise and/or license agreements in 50 states plus Washington, D.C., Puerto Rico, the Bahamas, Italy, Dominican Republic and Canada and, in January 2017, launched a new stand-alone concept called Noble Roman's Craft Pizza & Pub.

There were 2,562 franchised or licensed outlets in operation on December 31, 2015 and 2,768 on December 31, 2016. During the 12-month period ended December 31, 2016, 242 new franchised or licensed outlets opened and 36 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, out of the total count of 2,768, 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, 2015 and 2016, the Company reported net accounts receivable of \$7.0 million and \$6.8 million, respectively, each of which were net of allowances. The allowance at December 31, 2015 was \$1.2 million and at December 31, 2016 was \$2.7 million, including \$1.5 million related to discontinued operations, to reflect the amount the Company expects to realize for the receivables. The Company has reviewed each of its accounts and only included receivables in the amount expected to be collected. The Company, at December 31, 2015 and December 31, 2016, had a deferred tax asset on its balance sheet totaling \$9.1 million and \$9.6 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, between 2019 and 2036.

### 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 assets, 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,					
	2014		2015		2016	
Royalties and fees	\$ 7,479,334	94.5%	\$ 7,464,963	96.6%	\$ 7,350,692	93.8%
Administrative fees and other	72,541	0.9	56,520	0.7	42,402	0.5
Restaurant revenue	363,340	4.6	207,803	2.7	443,391	5.7
Total revenue	<u>7,915,215</u>	100.0	<u>7,729,286</u>	100.0	<u>7,836,485</u>	100.0
Franchise-related operating expenses:						
Salaries and wages	1,063,076	13.4	1,141,562	14.8	996,303	12.7
Trade show expense	541,385	6.8	543,354	7.0	520,691	6.6
Travel expense	235,127	3.0	255,125	3.3	230,091	2.9
Broker commissions	-	-	-	-	32,241	0.4
Other operating expense	876,162	11.1	834,320	10.8	769,791	9.8
Restaurant expenses	402,281	5.1	248,139	3.2	443,389	5.7
Depreciation	111,750	1.4	105,843	1.4	124,773	1.6
General and administrative	1,646,502	20.8	1,659,966	21.5	1,641,853	21.0
Total Expenses	<u>4,876,283</u>	61.6	<u>4,788,309</u>	62.0	<u>4,759,132</u>	60.7
Operating income	3,038,932	38.4	2,940,977	38.0	3,077,353	39.3
Interest	190,382	2.4	186,414	2.4	615,687	7.9
Loss on restaurant discontinued	-	-	191,390	2.5	36,776	0.5
Change in fair value of derivatives	-	-	-	-	44,464	0.5
Adjust valuation of receivables – including the Heyser case	-	-	1,230,000	15.9	1,103,521	14.1
Income before income taxes	2,848,550	36.0	1,333,173	17.2	1,276,907	16.3
Income taxes	1,104,809	14.0	512,671	6.6	487,880	6.2
Net income from continuing operations	<u>\$ 1,743,741</u>	22.0%	<u>\$ 820,502</u>	10.6%	<u>\$ 789,027</u>	10.1%

	Quarters Ended December 31,			
	2015		2016	
Royalties and fees	\$ 1,817,673	96.3%	\$ 1,806,303	86.2%
Administrative fees and other	11,342	0.6	8,234	0.4
Restaurant revenue	59,040	3.1	280,654	13.4
Total revenue	1,888,055	100.0	2,095,191	100.0%
Franchise-related operating expenses:				
Salaries and wages	281,716	14.9	236,699	11.3
Trade show expense	137,753	7.3	137,604	6.6
Travel expense	83,427	4.4	77,407	3.7
Other operating expense	230,105	12.2	194,141	9.3
Restaurant expenses	62,833	3.4	302,214	14.4
Depreciation	26,780	1.4	32,010	1.5
General and administrative	431,355	22.9	435,892	20.8
Total Expenses	1,253,969	66.5	1,415,967	67.6
Operating income	634,086	33.5	679,224	32.4
Interest	47,774	2.5	323,863	15.5
Loss on restaurant discontinued	191,390	10.1	-	-
Change in fair value of derivatives	-	-	44,464	2.1
Adjust valuation of receivables – including the Heyser case	380,000	20.1	352,862	16.8
Net income (loss) before income taxes (benefit)	14,922	0.8	(41,965)	(2.0)
Income taxes	5,738	0.3	(16,027)	(0.8)
Net income(loss) from continuing operations	\$ 9,184	0.5%	\$ (25,938)	(1.2)%

### **2016 Compared to 2015**

Total revenue for the year 2016 was \$7.8 million compared to \$7.7 million in 2015. The primary reason for the increase was the result of adding two additional Company-owned restaurants in the fourth quarter. For the three months ended December 31, 2016, total revenue was \$2.1 million compared to \$1.9 million for the comparable period in 2015. For the year 2016, franchise fees and equipment commissions (“Upfront Fees”) increased to \$299,000 from \$228,000 for 2015. For the three-month period ended December 31, 2016, Upfront Fees increased to \$78,000 from \$16,000 for the comparable period in 2015. Royalties and fees, less Upfront Fees, decreased to \$7.1 million for 2016 from \$7.2 million in 2015. The increase in Upfront Fees was primarily the result of selling more non-traditional franchises. For the three-month period ended December 31, 2016, royalties and fees less Upfront Fees decreased to \$1.7 million from \$1.8 million from the comparable period in 2015. The breakdown of royalties and fees less Upfront Fees for the year 2016 and for the three months ended December 31, 2016 compared to the comparable periods in 2015, respectively, were: royalties and fees from non-traditional franchises other than grocery stores were \$4.4 million and \$1.1 million and \$4.4 million and \$1.1 million; royalties and fees from the grocery store take-n-bake were \$2.1 million and \$551,000 and \$1.9 million and \$532,000; royalties and fees from stand-alone take-n-bake franchises were \$318,000 and \$42,000 and \$707,000 and \$151,000; royalties and fees from traditional locations were \$238,000 and \$58,000 and \$265,000 and \$64,000.

Restaurant revenue for 2016 increased to \$443,000 from \$208,000 in 2015. For the three-month period ended December 31, 2016, restaurant revenue increased to \$281,000 from \$59,000 for the comparable period in 2015. The increase in both annual and quarterly restaurant revenue was a result of adding two additional company-owned restaurants during the fourth quarter 2016 which had previously been franchised restaurants.

As a percentage of total revenue, salaries and wages for 2016 decreased to 12.7% from 14.8% in 2015. For the three-month period ended December 31, 2016, salaries and wages decreased to 11.3% from 14.9% for the comparable period in 2015. Salaries and wages decreased to \$996,000 and \$237,000 from \$1.1 million and \$282,000 for the year and the three-month period ended December 31, 2016, respectively, compared to the comparable periods in 2015.

As a percentage of total revenue, trade show expenses for 2016 decreased to 6.6% from 7.0% in 2015. For the three-month period ended December 31, 2016, trade show expenses decreased to 6.6% from 7.3% for the comparable period in 2015. Trade show expenses were \$521,000 and \$138,000, respectively, for the year and three-month period ended December 31, 2016 compared to \$543,000 and \$138,000, respectively, for the comparable periods in 2015.

As a percentage of total revenue, travel expenses for 2016 decreased to 2.9% from 3.3% in 2015. For the three-month period ended December 31, 2016, travel expense decreased to 3.7% from 4.4% for the comparable period in 2015. Travel expenses were \$230,000 and \$77,000, respectively, for the year and three-month period ended December 31, 2016 and \$255,000 and \$83,000, respectively, for the comparable periods in 2015.

As a percentage of total revenue, other operating expenses for 2016 decreased to 9.8% compared to 10.8% in 2015. For the three-month period ended December 31, 2016, other operating expenses decreased to 9.3% from 12.2% for the comparable period in 2015. Other operating expenses were \$770,000 and \$194,000 for the year and three-month periods ended December 31, 2016 and \$834,000 and \$230,000, respectively, for the comparable periods in 2015.

As a percentage of total revenue, restaurant expenses in 2016 increased to 5.7% from 3.2% in 2015. For the three-month period ended December 31, 2016, restaurant expenses increased to 14.4% from 3.4% for the comparable period in 2015. The increase was a result of adding two additional company-owned restaurants during the fourth quarter 2016 which had previously been franchised restaurants.

As a percentage of total revenue, general and administrative expenses for 2016 decreased to 21.0% from 21.5% in 2015. For the three-month period ended December 31, 2016, general and administrative expenses decreased to 20.8% from 22.9% for the comparable period in 2015. General and administrative expenses were \$1.6 million and \$436,000 for the year and three-month periods ended December 31, 2016 and \$1.7 million and \$431,000, respectively, for the comparable periods in 2015.

As a percentage of total revenue, total expenses for 2016 decreased to 60.7% from 62.0% in 2015. For the three-month period ended December 31, 2016, total expenses increased to 67.6% from 66.5% for the comparable period in 2015. Total expenses were \$4.8 million and \$1.4 million for the year and three-month periods ended December 31, 2016 and \$4.8 million and \$1.3 million, respectively, for the comparable periods in 2015.

As a percentage of total revenue, operating income for 2016 increased to 39.3% from 38.0% in 2015.

For the three-month period ended December 31, 2016, operating income decreased to 32.4% from 33.5% for the comparable period in 2015. Operating income was \$3.1 million and \$679,000 for the year and three-month periods ended December 31, 2016 and \$2.9 million and \$634,000, respectively, for the comparable periods in 2015.

Interest expense, as a percentage of total revenue, increased to 7.9% from 2.4% for the year 2016 compared to 2015. For the three-month period ended December 31, 2016, interest expense increased to 15.5% from 2.5% for the comparable period in 2015. Actual interest expense increased to \$616,000 and \$324,000, respectively, for the year and three-month period ended December 31, 2016 compared to \$186,000 and \$48,000, respectively, for the comparable periods in 2015. The primary reasons for the increase in interest expense were additional borrowings and a higher effective interest rate.

Change in fair value of derivatives was a net expense of \$44,000 compared to none in 2015 due to the issuance of Notes and Warrants in 2016.

Loss on restaurant discontinued was \$37,000 in 2016 and \$191,390 in 2015. This restaurant was part of the discontinued operations in 2008 but the decision was made at that time to continue to operate this location until the lease (renewed in 2010) expired. The Company does not expect this expense to recur.

Net income before income taxes from continuing operations for 2016 remained the same at \$1.3 million compared to the comparable period in 2015; however, in 2016, the Company recognized a valuation allowance of \$1.1 million related to receivables including the Heyser case compared to \$1.2 million in 2015 and a loss on restaurant discontinued of \$37,000 in 2016 and \$191,000 in 2015. For the three-month period ended December 31, 2016, net loss before income taxes from continuing operations was \$42,000 compared to a net income of \$15,000 for the comparable period in 2015, however, included in the three-month period ended December 31, 2016 was a valuation allowance of \$353,000 compared to \$380,000 in the comparable period in 2015. Although income tax expense is reflected on the Condensed Consolidated Statement of Operations, the Company will not pay any income tax on approximately the next \$23 million in net income before income taxes due to its net operating loss carry-forwards.

Loss on discontinued operations was approximately \$1.7 million in 2016 and \$35,000 in 2015. This loss on discontinued operations for 2016 was primarily the result of discontinuing the stand-alone take-n-bake venue in the third quarter of 2016. See Note 11 of the notes to the Company's consolidated financial statements.

Net loss for 2016 was \$871,000 compared to net income of \$786,000 in 2015. The net loss was primarily a result of the loss on discontinued operations of \$1.7 million, adjustment in the valuation of receivables including the Heyser case of \$1.1 million and change in fair value of derivatives of \$44,000 in 2016.

## 2015 Compared to 2014

Total revenue for the year 2015 was \$7.7 million compared to \$7.9 million in 2014. The reason for the decrease was the result of the restaurant discontinued, which was a part of the discontinued operations from 2008 but continued to operate until the lease (renewed in 2010) expired. For the three months ended December 31, 2015, total revenue increased to \$1.9 million from \$1.8 million for the comparable period in 2014. For the year 2015, Upfront Fees decreased to \$228,000 from \$392,000 for 2014. For the three-month period ended December 31, 2015, Upfront Fees decreased to \$16,000 from \$74,000 for the comparable period in 2014. Royalties and fees, less Upfront Fees, increased to \$7.2 million for 2015 from \$7.1 million in 2014. For the three-month period ended December 31, 2015, royalties and fees less Upfront Fees increased to \$1.8 million from \$1.6 million for the comparable period in 2014. The breakdown of royalties and fees less Upfront Fees for the year 2015 and for the three months ended December 31, 2015 compared to the comparable periods in 2014, respectively, were: royalties and fees from non-traditional franchises other than grocery stores were \$4.4 million and \$1.1 million and \$4.5 million and \$993,000; royalties and fees from the grocery store take-n-bake were \$1.9 million and \$530,000 and \$1.5 million and \$340,000; royalties and fees from stand-alone take-n-bake franchises were \$707,000 and \$151,000 and \$849,000 and \$234,000; royalties and fees from traditional locations were \$265,000 and \$64,000 and \$283,000 and \$67,000. The decline in Upfront Fees was primarily the result of selling fewer franchises for the Company's stand-alone franchises. Most of the growth came from licensing grocery store take-n-bake locations where there are no Upfront Fees. The growth in the royalties and fees from grocery store take-n-bake locations primarily was the result of adding new locations to the system.

During 2014, the Company began auditing sales used to compute royalties reported by non-traditional franchisees and plans to continue to do so on an ongoing basis, the effect of which is unknown. The Company estimates franchise sales based on product purchases as reflected on distributor reports. Where under-reporting is identified, the Company invoiced the franchisees for royalties on the unreported amount.

Restaurant revenue for 2015 decreased to \$208,000 from \$363,000 in 2014. The reason for the decrease was the result of the restaurant discontinued, which was a part of the discontinued operations from 2008 but continued to operate until the lease (renewed in 2010) expired. For the three-month period ended December 31, 2015, restaurant revenue decreased to \$59,000 from \$84,000 for the comparable period in 2014. The Company had been operating two locations used primarily for testing and demonstration purposes, however one of those locations was a quick service restaurant ("QSR") concept, which was part of the discontinued operations from 2008 but continued to operate until the lease (renewed in 2010) expired in March 2016.

As a percentage of total revenue, salaries and wages for 2015 increased to 14.8% from 13.4% in 2014. For the three-month period ended December 31, 2015, salaries and wages decreased to 14.9% from 15.1% for the comparable period in 2014. Salaries and wages remained approximately the same at \$1.1 million for both 2015 and 2014. For the three-month period ended December 31, 2015, salaries and wages increased to \$282,000 from \$274,000 for the comparable period in 2014.

As a percentage of total revenue, trade show expenses for 2015 increased to 7.0% in 2015 from 6.8% in 2014. For the three-month period ended December 31, 2015, trade show expenses decreased to 7.3% from 7.8% for the comparable period in 2014. Trade show expenses were \$543,000 and \$138,000, respectively, for the year and three-month period ended December 31, 2015 compared to \$541,000 and \$141,000, respectively, for the comparable periods in 2014.

As a percentage of total revenue, travel expenses for 2015 increased to 3.3% from 3.0% in 2014. For the three-month period ended December 31, 2015, travel expense increased to 4.4% from 3.6% for the comparable period in 2014. Travel expenses were \$255,000 and \$83,000, respectively, for the year and three-month period ended December 31, 2015 and \$235,000 and \$64,000, respectively, for the comparable periods in 2014.

As a percentage of total revenue, other operating expenses for 2015 decreased to 10.8% compared to 11.1% in 2014. For the three-month period ended December 31, 2015, other operating expenses decreased to 12.2% from 12.8% for the comparable period in 2014. Other operating expenses were \$834,000 and \$230,000 for the year and three-month periods ended December 31, 2015 and \$876,000 and \$232,000, respectively, for the comparable periods in 2014.

As a percentage of total revenue, restaurant expenses in 2015 decreased to 3.2% from 5.1% in 2014. For the three-month period ended December 31, 2015, restaurant expenses decreased to 3.4% from 5.6% for the comparable period in 2014. The Company had been operating two locations used primarily for testing and demonstration purposes, however one of those locations was a QSR concept, which was part of the discontinued operations from 2008 but continued to operate until the lease (renewed in 2010) expired in March 2016.

As a percentage of total revenue, general and administrative expenses for 2015 increased to 21.5% from 20.8% in 2014. For the three-month period ended December 31, 2015, general and administrative expenses decreased to 22.9% from 23.1% for the comparable period in 2014. Other general and administrative expenses were \$1.7 million and \$431,000 for the year and three-month periods ended December 31, 2015 and \$1.65 million and \$418,000, respectively, for the comparable periods in 2014.

As a percentage of total revenue, total expenses for 2015 increased to 62.0% from 61.6% in 2014. For the three-month period ended December 31, 2015, total expenses decreased to 66.5% from 69.6% for the comparable period in 2014. Total expenses were \$4.8 million and \$1.3 million for the year and three-month periods ended December 31, 2015 and \$4.9 million and \$1.3 million, respectively, for the comparable periods in 2014.

As a percentage of total revenue, operating income for 2015 decreased to 38.0% from 38.4% in 2014. For the three-month period ended December 31, 2015, operating income increased to 33.5% from 30.4% for the comparable period in 2014. Operating income was \$2.9 million and \$634,000 for the year and three-month periods ended December 31, 2015 and \$3.0 million and \$550,000, respectively, for the comparable periods in 2014.

Interest expense, as a percentage of total revenue, remained the same at 2.4% for both 2015 and 2014. For the three-month period ended December 31, 2015, interest expense decreased to 2.5% from 2.7% for the comparable period in 2014. Actual interest expense decreased to \$186,000 and \$48,000, respectively, for the year and three-month period ended December 31, 2015 compared to \$190,000 and \$50,000, respectively, for the comparable periods in 2014. The primary reason for the decrease in interest expense was the continued amortization of the principal balance of notes payable partially offset by a slightly higher effective rate of interest.



Loss on restaurant discontinued was \$191,390 in 2015 and none in 2014. This restaurant was part of the discontinued operations in 2008 but the decision was made at that time to continue to operate this location until the lease (renewed in 2010) expired. This is a non-recurring expense.

Net income before income taxes from continuing operations for 2015 decreased to \$1.3 million from \$2.8 million in 2014; however, in 2015, the Company recognized a valuation allowance of \$1.2 million related to receivables including the Heyser case and a loss on restaurant discontinued of \$191,000. For the three-month period ended December 31, 2015, net income before income taxes from continuing operations was \$15,000 compared to \$501,000 for the comparable period in 2014, however, included in the three-month period ended December 31, 2015 was a valuation allowance of \$380,000 related to receivables including the Heyser case and a loss on restaurant discontinued of \$191,000. Although income tax expense is reflected on the Condensed Consolidated Statement of Operations, the Company did not pay any income tax due to its net operating loss carry-forwards.

Loss on discontinued operations was approximately \$35,000 in 2015 and \$154,000 in 2014. This loss on discontinued operations was the result of the issues related to the discontinued operations in 1999 and 2008, most of which have been resolved. The loss in 2015 consisted of \$4,800 as a final payment on a property that was closed in conjunction with the 1999 discontinued operations. In addition, the Company incurred a loss of \$30,000 for rent and legal fees related to the operations discontinued in 2008.

Net income for 2015 decreased to \$786,000 from \$1.6 million in 2014. The decrease in net income was primarily a result of recognizing a valuation allowance of \$1.2 million for receivables including the Heyser case in 2015.

#### **Impact of Inflation**

The primary inflation factors affecting the Company's operations are food and labor costs to the franchisee. Cheese makes up the single largest topping cost on a pizza. Cheese prices reached an all-time record high in April 2014 and maintained at historically high prices until mid-September 2014. They have since decreased. The average cheese price in 2015 was approximately 3% below the ten-year average for cheese prices; the average cheese price in 2016 was 7% below the ten-year average. The Company's business was affected by the increased cost of meats during 2014, but these prices have also moderated somewhat. Labor costs across the country have generally seen some upward pressure in hourly rates as the unemployment rate has decreased and competition for hourly employees has increased. However, the Company believes any labor cost increases in the future for our non-traditional franchisees and licensees will be somewhat mitigated due to the relatively low labor requirements of the Company's franchise concepts.

#### **Liquidity and Capital Resources**

The Company's strategy in recent years has been to grow its business by concentrating on franchising/licensing non-traditional locations including grocery store delis to sell take-n-bake pizza and franchising stand-alone locations. This strategy was intended to not require significant increase in expenses. The focus on franchising/licensing non-traditional locations will continue to be the Company's strategy but, in addition, over the past two years the Company has been developing a major business initiative by re-designing and re-positioning its stand-alone franchise for the next generation stand-alone prototype called "Noble Roman's Craft Pizza & Pub." As a result, the Company plans to open and operate at least three locations of the Noble Roman's Craft Pizza & Pub and, once open, the Company plans to launch a major franchising effort based on Noble Roman's Craft Pizza & Pub. The first Noble Roman's Craft Pizza & Pub opened on January 31, 2017. The Company currently operates three restaurant locations in addition to the new Craft Pizza & Pub location. Two of the three restaurant locations were previously operated by franchisees but acquired by the Company in the fourth quarter of 2016. The Company does not intend to take over any additional restaurant locations from franchisees and is in the process of attempting to re-franchise one of those two locations.

The Company's current ratio was 2.14-to-1 as of December 31, 2016, compared to 2.94-to-1 as of December 31, 2015.

In 2012, the Company entered into a Credit Agreement with BMO Harris Bank, N.A. (the "Bank") for a term loan in the amount of \$5.0 million which was repayable in 48 equal monthly principal installments of approximately \$104,000 plus interest with a final payment due in May 2016. In October 2013, the Company entered into a First Amendment to the Credit Agreement (the "First Amendment"). The First Amendment maintained the terms of the term loan except for reducing the monthly principal payments from \$104,000 to approximately \$80,700 and extending the loan's maturity to February 2017. All other terms and conditions of the term loan remained the same including interest on the unpaid principal at a rate per annum of LIBOR plus 4%. The First Amendment also provided for a new term loan in the original amount of \$825,000 requiring monthly principal payments of approximately \$20,600 per month commencing in November 2013 and continuing thereafter until the final payment in February 2017. The term loan provided for interest on the unpaid principal balance to be paid monthly at a rate per annum of LIBOR plus 6.08% per annum. Proceeds from the new term loan were used to redeem the Company's Series B Preferred Stock which were earning a return to the holders of 12% per annum.

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

In July 2015, the Company borrowed \$600,000 from a third-party lender, evidenced by a promissory note which was to mature in July 2017. Interest on the note was payable at the rate of 8% per annum quarterly in arrears and this loan was subordinate to borrowings under the Company's bank loan. In connection with the loan, the Company issued, to the holder of the promissory note, a warrant entitling the holder to purchase up to 300,000 shares of the Company's common stock at an exercise price per share of \$2.00. The warrant expires in July 2020. Proceeds were used to increase working capital in anticipation of expected growth due to the Company hiring two new sales people, a Vice President of Supermarket Development, and entering into an agreement with a franchise broker. The Company repaid this loan in January 2017 with the proceeds of a \$600,000 loan from Paul W. Mobley at an interest rate of 7% per annum payable quarterly in arrears. The loan matures in March 2018. Per the anti-dilution provisions of the warrant, as of January 2017, the warrant entitles the holder to purchase 1.2 million shares of the Company's common stock at a price of \$.50 per share.

In December 2015, the Company borrowed \$100,000 from Paul W. Mobley and \$75,000 from A. Scott Mobley, two officers of the Company, which are evidenced by promissory notes that were originally to mature in January 2017. In January 2016, \$25,000 of the previous borrowing from A. Scott Mobley was repaid. In February 2016, A. Scott Mobley loaned the Company another \$10,000, evidenced by a promissory note. In April 2016, the Company borrowed an additional \$150,000 from Paul W. Mobley, evidenced by a promissory note. Proceeds were used for working capital. In conjunction with the loan from Super G Funding, LLC ("Super G"), as described below, Paul W. Mobley subordinated his \$250,000 note and A. Scott Mobley subordinated his \$60,000 note to the Super G loan and agreed to extend the maturity of those notes to June 10, 2018. Interest on the notes are payable at the rate of 10% per annum paid quarterly in arrears and the loans are unsecured.

In January 2016, the Company entered into a Third Amendment to its Credit Agreement (the "Third Amendment"). Pursuant to the Third Amendment, the Company consolidated its three term loans with the Bank into a new term loan of \$1,967,000 repayable in monthly payments of principal in the amount of \$54,654 plus interest on the unpaid balance of LIBOR plus 6% per annum. The new term loan was to mature March 31, 2017 when the remaining principal balance would have become due. In addition, the Third Amendment provided for a revolving loan in the maximum amount of \$500,000 with a maturity of March 31, 2017.

In June 2016, the Company borrowed \$2.0 million from Super G and used those funds: (1) to repay the \$500,000 revolving Bank loan and (2) for working capital purposes. This loan is to be repaid in the total amount of \$2.7 million in regular semi-monthly payments over a two year period.

In October 2016, the Company began a private placement of the Notes and the Warrants (the "Offering") and engaged Divine Capital Markets, LLC to serve as placement agent for the Offering (the "Placement Agent"). As of December 31, 2016, the Company had issued Notes in the aggregate principal amount of \$1.6 million and Warrants to purchase up to 1.6 million shares of the Company's common stock. In January 2017, the Company completed the Offering as a result of which it issued a total of \$2.4 million principal amount of Notes and Warrants to purchase up to 2.4 million shares of the Company's common stock. These Notes, which are convertible, into the company's common stock and Warrants are described in greater detail in Note 3 to the consolidated financial statements herein.

The Company intends to use the net proceeds of the Notes to fund the opening of a Noble Roman's Craft Pizza & Pub restaurants and for general corporate purposes.

In January 2017, the Company entered into a Fourth Amendment to its Credit Agreement (the "Fourth Amendment"). Pursuant to the Fourth Amendment, the Bank extended the maturity of the term loan to March 31, 2018. All other terms and conditions of the loan remain the same including the monthly principal payments and the interest rate.

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 during 2017. Now that the Offering, as described above, is complete the Company has begun efforts to refinance all of its loans except the Notes, into one loan with an extended amortization schedule. The Company's cash flow projections for the next two years are primarily based on the Company's strategy of growing the non-traditional franchising/licensing venues including growth in the number of grocery store locations licensed to sell the take-n-bake pizza and operating two Noble Roman's Craft Pizza & Pub locations, as described above, plus launching an aggressive franchising program of Noble Roman's Craft Pizza & Pub restaurants.

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

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

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

In May 2014, the FASB issued ASU 2014-09, regarding revenue on contracts with customers. These new standards become effective in January 2018. The company is currently evaluating the impact, if any, of this Accounting Standards Update.

The Company does not believe these accounting pronouncements will have a material adverse effect on its financial condition or results of operations.

### **Contractual Obligations**

The following table sets forth the future contractual obligations of the Company as of December 31, 2016:

	Less than			
	Total	1 Year	1-3 Years	3-5 Years
Long-term debt (1)	\$ 5,797,477	\$ 1,786,490	\$ 4,010,987	\$ -
Operating leases	1,414,526	286,426	431,920	696,180
Total	<u>\$ 7,212,003</u>	<u>\$ 2,072,916</u>	<u>\$ 4,442,907</u>	<u>\$ 696,180</u>

(1) The amounts do not include interest.

### **Forward-Looking Statements**

The statements contained above in Management's Discussion and Analysis concerning the Company's future revenues, profitability, financial resources, market demand and product development are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) relating to the Company that are based on the beliefs of the management of the Company, as well as assumptions and estimates made by and information currently available to the Company's management. The Company's actual results in the future may differ materially from those indicated by the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment, including, but not limited to competitive factors and pricing pressures, non-renewal of franchise agreements, shifts in market demand, the success of new franchise programs, including the new Noble Roman's Craft Pizza & Pub format, the company's ability to successfully operate an increased number of company-owned restaurants, general economic conditions, changes in demand for the Company's products or franchises, the Company's ability to service and refinance its loans, the impact of franchise regulation, the success or failure of individual franchisees and changes in prices or supplies of food ingredients and labor as well as the factors discussed under "Risk Factors" above 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, 2016, the Company had outstanding variable interest-bearing debt in the aggregate principal amount of \$1.4 million. The Company's current borrowings are at a variable rate tied to LIBOR plus 6% per annum adjusted on a monthly basis. Based on its current debt structure, for each 1% increase in LIBOR the Company would incur increased interest expense of approximately \$10,803 over the succeeding 12-month period.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

<b>Assets</b>	<b>December 31,</b>	
	2015	2016
<b>Current assets:</b>		
Cash	\$ 194,021	\$ 477,928
Accounts receivable - net	2,007,751	1,828,534
Inventories	492,222	754,418
Prepaid expenses	634,016	568,386
Deferred tax asset - current portion	925,000	925,000
Total current assets	4,253,010	4,554,266
<b>Property and equipment:</b>		
Equipment	1,376,190	1,963,957
Leasehold improvements	88,718	88,718
Construction and equipment in progress	-	351,533
	1,464,908	2,404,208
Less accumulated depreciation and amortization	1,092,785	1,194,888
Net property and equipment	372,123	1,209,320
Deferred tax asset (net of current portion)	8,158,523	8,696,870
Goodwill	-	278,466
Other assets including long-term portion of accounts receivable - net	5,681,272	5,159,937
Total assets	\$ 18,464,928	\$ 19,898,859
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Current portion of long-term notes payable to bank	\$ 601,081	\$ 655,725
Current portion of loan payable to Super G	-	1,130,765
Accounts payable and accrued expenses	847,418	339,125
Total current liabilities	1,448,499	2,125,615
<b>Long-term obligations:</b>		
Notes payable to bank (net of current portion)	1,366,454	710,729
Loan payable to Super G (net of current portion)	-	718,175
Notes payable to officers	175,000	310,000
Note payable to Kingsway America	600,000	600,000
Convertible notes payable	-	769,835
Derivative warrant liability	-	210,404
Derivative conversion liability	-	435,671
Total long-term liabilities	2,141,454	3,754,814
<b>Stockholders' equity:</b>		
Common stock – no par value (25,000,000 shares authorized, 20,775,921 issued and outstanding as of December 31, 2015 and 20,783,032 issued and outstanding as of December 31, 2016)	24,294,002	24,308,297
Accumulated deficit	(9,419,027)	(10,289,867)
Total stockholders' equity	14,874,975	14,018,430
Total liabilities and stockholders' equity	\$ 18,464,928	\$ 19,898,859

See accompanying notes to consolidated financial statements

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

	Year Ended December 31,		
	2014	2015	2016
Royalties and fees	\$ 7,479,334	\$ 7,464,963	\$ 7,350,692
Administrative fees and other	72,541	56,520	42,402
Restaurant revenue	363,340	207,803	443,391
Total revenue	7,915,215	7,729,286	7,836,485
Operating expenses:			
Salaries and wages	1,063,076	1,141,562	996,303
Trade show expense	541,385	543,354	520,691
Travel expense	235,127	255,125	230,091
Broker commissions	-	-	32,241
Other operating expenses	876,162	834,320	769,791
Restaurant expenses	402,281	248,139	443,389
Depreciation and amortization	111,750	105,843	124,773
General and administrative	1,646,502	1,659,966	1,641,853
Total expenses	4,876,283	4,788,309	4,759,132
Operating income	3,038,932	2,940,977	3,077,353
Interest	190,382	186,414	615,685
Loss on restaurant discontinued	-	191,390	36,776
Change in fair value of derivatives	-	-	44,464
Adjust valuation of receivables - including Heyser case	-	1,230,000	1,103,521
Income before income taxes from continuing operations	2,848,550	1,333,173	1,276,907
Income tax expense	1,104,809	512,671	487,880
Net income from continuing operations	1,743,741	820,502	789,027
Loss from discontinued operations net of tax benefit of \$97,284 for 2014, \$21,697 for 2015 and \$1,026,277 for 2016	(153,545)	(34,724)	(1,659,867)
Net income (loss)	\$ 1,590,196	\$ 785,778	\$ (870,840)
Earnings per share - basic:			
Net income from continuing operations	\$ .09	\$ .04	\$ .04
Net loss from discontinued operations net of tax benefit	\$ (.01)	\$ (.00)	\$ (.08)
Net income (loss)	\$ .08	\$ .04	\$ (.04)
Weighted average number of common shares outstanding	19,870,904	20,517,846	20,781,886
Diluted earnings (loss) per share:			
Net income from continuing operations	\$ .08	\$ .04	\$ .04
Net loss from discontinued operations net of tax benefit	\$ (.01)	\$ (.00)	\$ (.08)
Net income (loss)	\$ .07	\$ .04	\$ (.04)
Weighted average number of common shares outstanding	21,204,439	21,439,242	21,208,173

See accompanying notes to consolidated financial statements.

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

	<u>Common Stock</u>		<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>	
<b>Balance at December 31, 2013</b>	19,585,089	\$ 23,498,401	\$ (11,795,001)	\$ 11,703,400
2014 net income			1,590,196	1,590,196
Cashless exercise of employee stock option	214,998			
Amortization of value of stock options		48,815		48,815
Stock issued in exchange for payables	180,000	318,208		318,208
Exercise of employee stock options	115,000	105,230		105,230
<b>Balance at December 31, 2014</b>	<u>20,095,087</u>	<u>\$ 23,970,654</u>	<u>\$ (10,204,805)</u>	<u>\$ 13,765,849</u>
2015 net income			785,778	785,778
Cashless exercise of employee stock option	360,167			
Amortization of value of stock options		26,962		26,962
Stock issued in exchange for payables	50,000	95,000		95,000
Exercise of employee stock options	270,667	201,386		201,386
<b>Balance at December 31, 2015</b>	<u>20,775,921</u>	<u>\$ 24,294,002</u>	<u>\$ (9,419,027)</u>	<u>\$ 14,874,975</u>
2016 net loss			(870,840)	(870,840)
Cashless exercise of employee stock option	7,111			
Amortization of value of stock options		14,295		14,295
<b>Balance at December 31, 2016</b>	<u>20,783,032</u>	<u>\$ 24,308,297</u>	<u>\$ (10,289,867)</u>	<u>\$ 14,018,430</u>

See accompanying notes to consolidated financial statements.

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

	Year ended December 31,		
	2014	2015	2016
<b>OPERATING ACTIVITIES</b>			
Net income (loss)	\$ 1,590,196	\$ 785,778	\$ (870,840)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	128,265	98,826	166,681
Deferred income taxes	1,007,526	490,974	(538,348)
Change in fair value of derivatives	-	-	44,464
Changes in operating assets and liabilities			
(Increase) decrease in:			
Accounts receivable	(419,166)	(319,797)	131,217
Inventories	(43,578)	(110,822)	(244,898)
Prepaid expenses	4,344	(166,295)	104,802
Other assets including long-term portion of accounts receivable	(1,861,460)	(665,341)	150,885
Increase (decrease) in:			
Accounts payable and accrued expenses	263,622	322,453	(473,916)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>669,749</b>	<b>435,776</b>	<b>(1,529,953)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	(22,176)	(13,840)	(364,035)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(22,176)</b>	<b>(13,840)</b>	<b>(364,035)</b>
<b>FINANCING ACTIVITIES</b>			
Payment of principal outstanding on bank loan	(1,235,694)	(1,348,229)	(601,081)
Payment of principal on Super G	-	-	(78,976)
Proceeds from new financings net of closing costs	697,704	600,000	3,210,509
Proceeds from officers loans	-	175,000	135,000
Proceeds from the exercise of stock options	105,230	201,386	-
<b>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</b>	<b>(432,760)</b>	<b>(371,843)</b>	<b>2,665,452</b>
<b>DISCONTINUED OPERATIONS</b>			
Payment of obligations from discontinued operations	(172,251)	(56,421)	(487,556)
Increase (decrease) in cash	42,562	(6,328)	283,907
Cash at beginning of year	157,787	200,349	194,021
Cash at end of year	<u>\$ 200,349</u>	<u>\$ 194,021</u>	<u>\$ 477,928</u>

**Supplemental Schedule of Non-Cash Investing and Financing Activities:**

In 2015, options to purchase 90,000 shares at \$.36 per share, 100,000 shares at \$.95 per share, 300,000 shares at \$1.05 per share, 66,666 shares at \$.58 per share and 30,000 shares at \$.90 per share were exercised pursuant to the cashless exercise provisions of the options and the holders received 360,167 shares of common stock. Also in 2015, the Company issued 50,000 shares of common stock in exchange for \$95,000 in payables.

In 2016, option to purchase 20,000 shares at \$.58 per share was exercised and the holder received 7,111 shares of common stock pursuant to the cashless exercise provision of the option.

The Company acquired two restaurants from franchisees during the fourth quarter of 2016, in exchange for \$131,417 of equipment, \$17,298 of inventory and \$427,181 in accounts payable and accrued expenses.

*See accompanying notes to consolidate financial statements.*



## **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 and stand-alone retail outlets under the trade names "Noble Roman's Pizza," "Tuscano's Italian Style Subs" and "Noble Roman's Craft Pizza & Pub." 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., N.R. Realty, Inc. and RH Roanoke, 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. Construction and equipment in progress are stated at cost for leasehold improvements and equipment for a new restaurant being constructed and was not completed until January 2017.

Cash and Cash Equivalents: Includes actual cash balance. The cash is not pledged nor are there any withdrawal restrictions.

Advertising Costs: The Company records advertising costs consistent with the Financial Accounting Standards Board's (the "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 assets or paid to transfer to liability to a market participant. The fair value measurements and disclosure 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 One: Quoted market prices in active markets for identical assets or liabilities.

Level Two: Observable market –based inputs or unobservable inputs that are corroborated by market data.

Level Three: Unobservable inputs that are not corroborated by market data.

**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 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 permanently impaired (bankruptcy, lack of contact, age of account balance, etc.), they are charged off against the valuation allowance. The Company evaluates its 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.

**Debt Issuance Costs:** Debt issuance cost is presented on the balance sheet as a direct reduction from the carrying amount of the associated liability. The debt issuance cost was reclassified from other assets to long-term debt on its balance sheet but had no effect on its statement of operations. Debt issuance costs are amortized to interest expense ratably over the term of the applicable debt. The debt issuance cost being amortized is \$278,408 with an accumulated amortization at December 31, 2016 of \$45,727

**Intangible Assets:** The Company recorded goodwill of \$278,000 as a result of the acquisition of RH Roanoke, Inc., in Virginia and a second restaurant in North Carolina, both former franchisees of the Company. The acquisitions were in exchange for \$132,000 of equipment, \$17,000 of inventory and \$427,000 of accounts payable and accrued expenses. Goodwill has an indeterminate life and is assessed for impairment at least annually and more frequently as triggering events may occur. In making this assessment, management relies on a number of factors including operating results, business plans, economic projections, anticipated future cash flows, and transactions and marketplace data. Any impairment losses determined to exist are recorded in the period the determination is made. There are inherent uncertainties related to these factors and management's judgment is involved in performing goodwill and other intangible assets valuation analyses, thus there is risk that the carrying value of goodwill and other intangible assets may be overstated or understated. The Company has elected to perform the annual impairment assessment of recorded goodwill as of the end of the Company's fiscal year. The results of this annual impairment assessment indicated that the fair value of the reporting unit as of December 31, 2016, exceeded the carrying, or book value, including goodwill, and therefore recorded goodwill was not subject to impairment.

**Royalties, Administrative and Franchise Fees:** Royalties are generally recognized as income monthly based on a percentage of monthly sales of franchised or licensed restaurants and from audits including interest per the franchise agreement and other inspections as they come due and payable by the franchisee. Fees from the retail products in grocery stores are recognized monthly based on the distributors' sale of those retail products to the grocery stores or grocery store distributors. Administrative fees are recognized as income monthly as earned. Initial franchise fees are recognized as income when the services for the franchised location 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, 2016, the net operating loss carry-forward was approximately \$23 million which expires between the years 2019 and 2036. 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. None were included for the years ended December 31, 2014, 2015 and 2016. The Company's federal and various state income tax returns for 2013 through 2016 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, 2014:

	<u>Income (Numerator)</u>	<u>Shares (Denominator)</u>	<u>Per Share Amount</u>
<b>Earnings per share – basic</b>			
Net income	1,590,196	19,870,904	\$ .08
<b>Effect of dilutive securities</b>			
Options	-	<u>1,333,535</u>	
<b>Diluted earnings per share</b>			
Net income	\$ 1,590,196	21,204,439	\$ .07

The following table sets forth the calculation of basic and diluted earnings per share for the year ended December 31, 2015:

	Income (Numerator)	Shares (Denominator)	Per Share Amount
<b>Earnings per share – basic</b>			
Net loss	785,778	20,517,846	\$ 0.04
<b>Effect of dilutive securities</b>			
Options	-	921,296	
<b>Diluted earnings per share</b>			
Net loss	785,778	21,439,242	\$ 0.04

The following table sets forth the calculation of basic and diluted loss per share for the year ended December 31, 2016:

	Income (Numerator)	Shares (Denominator)	Per Share Amount
<b>Earnings per share – basic</b>			
Net income	(870,840)	20,781,886	\$ (0.04)
<b>Effect of dilutive securities</b>			
Options	-	32,845	
Convertible notes	-	393,442	
<b>Diluted earnings per share</b>			
Net income	(870,840)	212,008,173	\$ (0.04)

Subsequent Events: The Company evaluated subsequent events through the date the consolidated statements were issued and filed with the annual report. In January 2017, the Company repaid a promissory note to Kingsway America with an interest rate of 8% per annum due July 2017 by borrowing the \$600,000 from an officer of the Company at an interest rate of 7% per annum due March 2018. With the initial Kingsway loan, they received a warrant to purchase 300,000 shares of common stock at \$2.00 per share containing certain anti-dilutive provisions. In January 2017, as a result of those dilutive provisions, the warrant changed to 1,200,000 shares at \$.50 per share. In January 2017, the Company entered into a Fourth Amendment to its Credit Agreement with BMO Harris Bank (the "Bank") to extend the maturity of that note from March 2017 to March 2018 with all other terms and conditions remaining the same including the monthly principal payments and the interest rate. In January 2017, the Company completed the Offering (as described in Note 3), began in 2016, of Notes and Warrants under which it issued a total of \$2.4 million principal amount of the Notes and Warrant to purchase 2.4 million shares of the Company's common stock. In January 2017, the Company opened its first Noble Roman's Noble Roman's Craft Pizza & Pub location. In January 2017, at a special meeting of the shareholders, they approved the authorized shares being increased from 25,000,000 to 40,000,000.

No subsequent event required recognition or disclosure except as discussed above.

#### Note 2: Accounts Receivable

At December 31, 2015 and 2016, 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, 2015 and 2016 will be collected. The allowance to reduce the receivables to anticipated net realizable value at December 31, 2015 was \$1.2 million and at December 31, 2016 was \$2.7 million, including \$1.5 million related to discontinued operations.

In 2012, the Company dismissed its counterclaims against certain plaintiffs in the lawsuit related to the operations discontinued in 2008 and reduced the net realizable value by \$500,000 related to the Company's counterclaims against the plaintiffs in the lawsuit referenced above. In 2013, based on a judgment that was entered in February 2014 in the lawsuit, the Company reduced the carrying value of the receivables subject to the counterclaims by \$1.1 million. Since the right to receive passive income in the form of royalties is not a part of the discontinued operations, the adjustments to reflect these two charges were made to continuing operations. In 2015, the Company made an adjustment for valuation of receivables, including the Heyser case above, of \$1.2 million. In 2016, the Company made an adjustment for valuation of receivables, including the Heyser case above, of \$1.1 million.

### **Note 3: Notes Payable**

In 2012, the Company entered into a Credit Agreement with the Bank for a term loan in the amount of \$5.0 million which was repayable in 48 equal monthly principal installments of approximately \$104,000 plus interest with a final payment due in May 2016. In October 2013, the Company entered into a First Amendment to the Credit Agreement (the "First Amendment"). The First Amendment maintained the terms of the term loan except for reducing the monthly principal payments from \$104,000 to approximately \$80,700 and extending the loan's maturity to February 2017. All other terms and conditions of the term loan remained the same including interest on the unpaid principal at a rate per annum of LIBOR plus 4%. The First Amendment also provided for a new term loan in the original amount of \$825,000 requiring monthly principal payments of approximately \$20,600 per month commencing in November 2013 and continuing thereafter until the final payment in February 2017. The term loan provided for interest on the unpaid principal balance to be paid monthly at a rate per annum of LIBOR plus 6.08% per annum. Proceeds from the new term loan were used to redeem the Company's Series B Preferred Stock which were earning a return to the holders of 12% per annum.

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

In July 2015, the Company borrowed \$600,000 from a third-party lender, evidenced by a promissory note which was to mature in July 2017. Interest on the note was payable at the rate of 8% per annum quarterly in arrears and this loan was subordinate to borrowings under the Company's bank loan. In connection with the loan, the Company issued, to the holder of the promissory note, a warrant entitling the holder to purchase up to 300,000 shares of the Company's common stock at an exercise price per share of \$2.00. The warrant expires in July 2020. The Kingsway warrant included anti-dilution features similar to those discussed in Note 3. As such, the Kingsway warrant is considered a derivative liability at December 31, 2016 due to the additional borrowing from Super G and the conversion feature of the private placement Notes, the number of shares of common stock underlying the Kingsway warrants increased from 300,000 to 480,000 and the exercise price per warrant decreased from \$2.00 per share to \$.50 per share. In 2017, the number of shares underlying the warrant increased to 1.2 million and the exercise price remained at \$.50 per share. Proceeds were used to increase working capital in anticipation of expected growth due to the Company hiring two new sales people, a Vice President of Supermarket Development, and entering into an agreement with a franchise broker. The Company repaid this loan in January 2017 with the proceeds of a \$600,000 loan from Paul W. Mobley at an interest rate of 7% per annum payable quarterly in arrears. The loan matures in March 2018.

In December 2015, the Company borrowed \$100,000 from Paul W. Mobley and \$75,000 from A. Scott Mobley, two officers of the Company, which are evidenced by promissory notes that were originally to mature in January 2017. In January 2016, \$25,000 of the previous borrowing from A. Scott Mobley was repaid. In February 2016, A. Scott Mobley loaned the Company another \$10,000, evidenced by a promissory note. In April 2016, the Company borrowed an additional \$150,000 from Paul W. Mobley, evidenced by a promissory note. Proceeds were used for working capital. In conjunction with the loan from Super G Funding, LLC ("Super G"), as described below, Paul W. Mobley subordinated his \$250,000 note and A. Scott Mobley subordinated his \$60,000 note to the Super G loan and agreed to extend the maturity of those notes to June 10, 2018. Interest on the notes are payable at the rate of 10% per annum paid quarterly in arrears and the loans are unsecured.

In January 2016, the Company entered into a Third Amendment to its Credit Agreement (the "Third Amendment"). Pursuant to the Third Amendment, the Company consolidated its three term loans with the Bank into a new term loan of \$1,967,000 repayable in monthly payments of principal in the amount of \$54,654 plus interest on the unpaid balance of LIBOR plus 6% per annum. The new term loan was to mature March 31, 2017 when the remaining principal balance would have become due. In addition, the Third Amendment provided for a revolving loan in the maximum amount of \$500,000 with a maturity of March 31, 2017.

In June 2016, the Company borrowed \$2.0 million from Super G and used those funds: (i) to repay the \$500,000 revolving Bank loan and (ii) for working capital purposes. This loan is to be repaid in the total amount of \$2.7 million in regular semi-monthly payments over a two year period.

In the fourth quarter of 2016, the Company issued 32 Units, for a purchase price of \$50,000 per Unit, or \$1,600,000 in the aggregate. Each \$50,000 Unit consists of a convertible, subordinated, unsecured promissory note (a "Note") in an aggregate principal amount of \$50,000 and warrants (the "Warrants") to purchase up to 50,000 shares of the Company's common stock, no par value per share (the "Common Stock"). The Company issued Units to investors including the following related parties: Paul W. Mobley, the Company's Executive Chairman, Chief Financial Officer and a director of the Company (\$150,000); and Herbst Capital Management, LLC, the principal of which is Marcel Herbst, a director of the Company (\$200,000).

Interest on the Notes accrues at the annual rate of 10% and is payable quarterly in arrears. Principal of the Notes matures three years after issuance. Each holder of the Notes may convert them at any time into Common Stock of the Company at a conversion price of \$0.50 per share (subject to anti-dilution adjustments). Subject to certain limitations, upon 30 days' notice the Company may require the Notes to be converted into Common Stock if the daily average weighted trading price of the Common Stock equals or exceeds \$2.00 per share for a period of 30 consecutive trading days. The Notes provide for customary events of default. The Notes are unsecured and subordinate to senior debt of the Company.

The Warrants expire three years from the date of issuance and provide for an exercise price of \$1.00 per share of Common Stock (subject to anti-dilution adjustments). Subject to certain limitations, the Company may redeem the Warrants at a price of \$0.001 per share of Common Stock subject to the Warrant upon 30 days' notice if the daily average weighted trading price of the Common Stock equals or exceeds \$1.50 per share for a period of 30 consecutive trading days.

In connection with the issuance of the Units, the Company granted the Investors certain registration rights with respect to the shares of Common Stock into which the Notes are convertible and for which the Warrants are exercisable.

Divine Capital Markets LLC served as the placement agent for the offering of the Units (the "Placement Agent"). In consideration of the Placement Agent's services, the Placement Agent earns a cash fee and expense allowance equal to 10% and 3%, respectively, of the gross proceeds of the offering, as well as warrants (the "Placement Agent Warrants") for 10% of Units sold. Each Placement Agent Warrant allow the Placement Agent to purchase a Unit for \$60,000.

The Company evaluated the Notes, Warrants and Placement Agent Warrants to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with ASC 815, Derivatives and Hedging. Due to the anti-dilution features in the contracts, commonly referred to as "down-round protection", the contracts do not meet the scope exception for treatment as a derivative under ASC 815. As such, the embedded conversion feature in the Notes (the "Conversion Feature"), the Warrants and the Placement Agent warrants are considered derivative financial instruments.

The accounting treatment of derivative financial instruments requires that the Company record these instruments at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as non-operating, non-cash income or expense for each reporting period at each balance sheet date. The Company reassesses the classification of its derivative instruments at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

The fair value of the derivative instruments, along with the cash Placement Agent fees, are deducted from the carrying value of the Notes, as original issue discount ("OID"). The OID is amortized over the term of the Notes using the effective interest rate method.

Activity related to the Units during the fourth quarter of 2016 is as follows:

Gross Proceeds	\$ 1,600,000
Placement Agent Fees	208,000
Fair Value of Warrants	96,380
Fair Value of Conversion Features	458,875
Fair Value of Placement Agent Warrants	46,358
Legal and Other Costs of Issuance	42,918
Net Amount Allocable to Notes	\$ 747,469

At December 31, 2016, the balance of the Notes is comprised of:

Face Value	\$ 1,600,000
Unamortized OID	(830,165)
Carrying Value	\$ 769,835

Interest expense related to the Notes, including amortization of OID, amounted to \$22,365 for the year ended December 31, 2016.

The Company intends to use the net proceeds of the Notes to fund the opening of a Noble Roman's Noble Roman's Craft Pizza & Pub restaurants and for general corporate purposes.

In January 2017, the Company entered into a Fourth Amendment to its Credit Agreement (the "Fourth Amendment"). Pursuant to the Fourth Amendment, the Bank extended the maturity of the term loan to March 31, 2018. All other terms and conditions of the loan remain the same including the monthly principal payments and the interest rate.

Interest paid on the Company's loans in 2016 was \$401,034 and in 2015 was \$139,328.

**Note 4: Fair Value Measurement**

To measure the fair value of derivative instruments, the Company utilizes Monte Carlo models that value the Kingsway Warrant, Conversion Feature, Warrants and Placement Agent Warrants. The Monte Carlo models are based on future projections of the various potential outcomes of each instrument, giving consideration to the terms of each instrument. A discounted average cash flow over the various scenarios is completed to determine the value of the instrument.

The table below provides a summary of the changes in fair value, of all financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2016:

	Kingsway Warrant	Conversion Feature	Warrants	Placement Agent Warrants	Total
Balance January 1, 2016	-	-	-	-	-
Issuance	-	458,875	96,380	46,358	601,613
Change in Fair Value of Derivative Liabilities	68,335	(23,203)	(2,993)	2,326	44,465
Balance – December 31, 2016	68,335	435,672	93,387	48,684	646,078

The fair value of the derivative instruments as of December 31, 2016 were calculated using Monte Carlo models with the following weighted average assumptions:

	Kingsway Warrant	Conversion Feature	Warrants	Placement Agent Warrants
Dividend Yield	0%	0%	0%	0%
Expected Volatility	58%	58%	58%	58%
Risk Free Interest Rate	1.6%	1.4%	1.4%	1.4%
Remaining Contractual Term (Years)	3.5	2.9	2.9	2.9

**Note 5: Royalties and Fees**

Approximately \$313,000, \$163,000 and \$245,000 are included in 2014, 2015 and 2016, respectively, royalties and fees in the Consolidated Statements of Operations for initial franchise fees. Also included in royalties and fees were approximately \$80,000, \$65,000 and \$54,000 in 2014, 2015 and 2016, 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. A substantial portion of the Company's ongoing royalty income is paid electronically by the Company initiating a draft on the franchisee's account by electronic withdrawal.



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 2,562 franchised or licensed outlets in operation on December 31, 2015 and 2,768 on December 31, 2016. During the 12-month period ended December 31, 2016, there were 242 new franchised or licensed outlets opened and 36 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 of the 2,017 included in the December 31, 2016 count, how many grocery store licenses were actually operating at any given time.

**Note 6: Contingent Liabilities for Leased Facilities**

The Company is no longer contingently liable on any leased facilities.

The Company has future obligations of \$1,414,526 under current operating leases as follows: due in less than one year \$286,426, due in one to three years \$431,920 and due in three to five years \$696,180.

**Note 7: Income Taxes**

The Company had a deferred tax asset, as a result of prior operating losses, of \$9.1 million at December 31, 2015 and \$9.6 million at December 31, 2016, which expires between the years 2019 and 2036. In 2014, 2015 and 2016, the Company used deferred benefits to offset its tax expense of \$1.1 million, \$513,000 and \$488,000, respectively, and tax benefits from loss on discontinued operations of \$97,000 in 2014, \$22,000 in 2015 and \$1.0 million in 2016. As a result of the loss carry-forwards, the Company did not pay any income taxes in 2014, 2015 and 2016. 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 8: Common Stock**

On February 28, 2016, a former director exercised a stock option for 20,000 shares of common stock at an exercise price of \$.58 per share in a cashless exercise and was issued 7,111 shares of common stock.

In connection with a loan in 2015, the Company issued a warrant entitling the holder to purchase up to 300,000 shares of the Company's common stock at a price per share of \$2.00. The warrant expires July 1, 2020, per the anti-dilution provisions of the warrant, the warrant, since January 2017, entitles the holder to purchase 1.2 million shares of the Company's common stock at a price of \$.50 per share.

As of December 31, 2016, the Company had issued Notes in the aggregate principal amount of \$1.6 million convertible to common stock within three years at the rate of \$.50 per share and Warrants to purchase up to 1.6 million shares of the Company's common stock at \$1.00 per share. In January 2017, the Offering as a result of which the Company issued a total of \$2.4 million principal amount of Notes and Warrants to purchase up to 2.4 million shares of the Company's common stock.

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, 2016, the Company had the following employee stock options outstanding:

# Common Shares Issuable	Exercise Price
47,500	\$ .58
155,000	.58
1,400,000	.58
31,000	.58
143,667	.58
230,500	1.00
265,000	1.00
325,000	1.00
325,000	.53
35,000	.50

As of December 31, 2016, options for 2,165,999 shares were exercisable

The Company adopted the modified prospective method to account for stock option grants, 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 2014, 2015 and 2016:

Expected volatility 20% to 30%  
 Expected dividend yield None  
 Expected term (in years) 3  
 Risk-free interest rate 1.4% to 2.64%

The following table sets forth the number of options outstanding as of December 31, 2013, 2014, 2015 and 2016 and the number of options granted, exercised or forfeited during the years ended December 31, 2014, December 31, 2015 and December 31, 2016:

Balance of employee stock options outstanding as of 12/31/13	3,457,500
Stock options granted during the year ended 12/31/14	370,000
Stock options exercised during the year ended 12/31/14	(390,000)
Stock options forfeited during the year ended 12/31/14	(2,500)
Balance of employee stock options outstanding as of 12/31/14	3,435,000
Stock options granted during the year ended 12/31/15	410,000
Stock options exercised during the year ended 12/31/15	(877,333)
Stock options forfeited during the year ended 12/31/15	(310,000)
Balance of employee stock options outstanding as of 12/31/15	2,657,667
Stock options granted during the year ended 12/31/16	395,000
Stock options exercised during the year ended 12/31/16	(20,000)
Stock options forfeited during the year ended 12/31/16	(75,000)
Balance of employee stock options outstanding as of 12/31/16	2,957,667

The following table sets forth the number of non-vested options outstanding as of December 31, 2013, 2014, 2015 and 2016, and the number of stock options granted, vested and forfeited during the years ended December 31, 2014, 2015 and 2016.

Balance of employee non-vested stock options outstanding as of 12/31/13	1,416,500
Stock options granted during the year ended 12/31/14	370,000
Stock options vested during the year ended 12/31/14	(755,000)
Stock options forfeited during the year ended 12/31/14	-
Balance of employee non-vested stock options outstanding as of 12/31/14	1,031,500
Stock options granted during the year ended 12/31/15	410,000
Stock options vested during the year ended 12/31/15	(380,999)
Stock options forfeited during the year ended 12/31/15	(330,000)
Balance of employee non-vested stock options outstanding as of 12/31/15	730,501
Stock options granted during the year ended 12/31/16	395,000
Stock options vested during the year ended 12/31/16	(258,833)
Stock options forfeited during the year ended 12/31/16	(75,000)
Balance of employee non-vested stock options outstanding as of 12/31/16	791,668

During 2016, employee stock options were granted for 395,000 shares, options for 20,000 shares were exercised and options for 75,000 shares were forfeited. At December 31, 2016, the weighted average grant date fair value of non-vested options was \$.79 per share and the weighted average grant date fair value of vested options was \$.66 per share. The weighted average grant date fair value of employee stock options granted during 2014 was \$1.00, during 2015 was \$1.00 and during 2016 was \$.53. Total compensation cost recognized for share-based payment arrangements was \$48,815 with a tax benefit of \$18,935 in 2014, \$26,962 with a tax benefit of \$10,369 in 2015 and \$14,295 with a tax benefit of \$5,497 in 2016. As of December 31, 2016, total compensation cost related to non-vested options was \$32,297, which will be recognized as compensation cost over the next six to 33 months. No cash was used to settle equity instruments under share-based payment arrangements.

**Note 9: 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 except:

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

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

In May 2014, the FASB issued ASU 2014-09 regarding Revenue From Contract With Customers. The new standard to become effective in January 2018. The company does not believe there will be a material impact.

**Note 10: Loss on Restaurant Discontinued**

This restaurant was a part of the discontinued operations in 2008 but the decision was made to continue to operate this location until the lease (renewed in 2010) expired. The Company does not expect this expense to recur.

**Note 11: Loss from Discontinued Operations**

The Company made the decision in late 2008 to discontinue the business of operating traditional quick service restaurants. As a result, the Company 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 a lawsuit related to those discontinued operations. The ongoing right to receive passive income in the form of royalties is not a part of the discontinued segment.

The Company reported a net loss on discontinued operations of \$154,000 in 2014. This consisted of \$9,600 in legal and settlement costs through the expiration of the lease relating to the restaurant that was closed in conjunction with the business activity discontinued in 1999 discussed above. In addition, the Company incurred \$139,600 for legal and other costs related to the operations discontinued in 2008, and wrote off \$4,300 in receivables related to the operations discontinued in 2008.

The Company reported a net loss on discontinued operations of \$35,000 in 2015. This consisted of \$4,800 as a final payment on a property that was closed in conjunction with the 1999 discontinued operations. In addition, the Company incurred a loss of \$30,000 for rent and legal fees related to the operations discontinued in 2008.

The Company report a net loss on discontinued operations of \$1.7 million in 2016. During the quarter ended September 30, 2016, the Company made the decision to discontinue the stand-alone take-n-bake concept and devote its efforts to its next generation stand-alone prototype, Noble Roman's Craft Pizza & Pub. As a result of that decision, the Company is charging off all assets related to those discontinued operations, including \$505,000 after-tax benefit invested in three franchised locations, partially owned by certain officers of the Company which were not involved in the management of the operations, which had been used primarily to support research and development by the Company in those three franchised locations. The Company was using those franchised locations for testing and development in an attempt to improve the stand-alone take-n-bake concept for future franchising before the Company made the decision in the third quarter to discontinue that concept. In addition, \$1.07 million of the after-tax benefit reflected the charge-off of various receivables due from unrelated former franchisees of the stand-alone take-n-bake concept. In addition, \$48,000 of the after-tax benefit reflected the charge-off of various other expenses related to the discontinuation of the stand-alone take-n-bake concept. This resulted in the net loss after-tax benefit resulting from the discontinuation of the stand-alone take-n-bake concept in the aggregate amount of \$1.7 million. The loss on discontinued operations also included a loss of \$39,000, after the tax benefit, for settlement of rent on a former location that was part of the discontinued operations in 2008.

**Note 12: Contingencies**

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

Currently, there are no such pending proceedings which the Company considers to be material.

**Note 13: 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.

In December 2015, the Company borrowed \$100,000 from Paul W. Mobley and \$75,000 from A. Scott Mobley, two officers of the Company, which are evidenced by promissory notes that were originally to mature in January 2017. In January 2016, \$25,000 of the previous borrowing from A. Scott Mobley was repaid. In February 2016, A. Scott Mobley loaned the Company another \$10,000, evidenced by a promissory note. In April 2016, the Company borrowed an additional \$150,000 from Paul W. Mobley, evidenced by a promissory note. Proceeds were used for working capital. In conjunction with the loan from Super G, as described below, Paul W. Mobley subordinated his \$250,000 note and A. Scott Mobley subordinated his \$60,000 note to the Super G loan and agreed to extend the maturity of those notes to June 10, 2018. Interest on the notes are payable at the rate of 10% per annum paid quarterly in arrears and the loans are unsecured. In January 2017, the Company borrowed \$600,000 from Paul W. Mobley at an interest rate of 7% per annum payable quarterly in arrears. The loan matures in March 2018.

Of the 32 units sold in the private placement which began in October 2016, three units were purchased by Paul W. Mobley, Executive Chairman, and four units were purchased by Marcel Herbst, Director. Each unit consists of a Note in the principal amount of \$50,000 and a Warrant to purchase 50,000 shares of the Company's common stock. These transactions were all done on the same terms and conditions as all of the independent investors who purchased the other 25 units.

The Company executed a franchise agreement for three stand-alone take-n-bake retail outlets during 2012 in which the franchisee was partially owned by certain officers of the Company, however, these individuals were not involved in the management of the franchisee's operations, which had been used primarily to support research and development by the Company in those three franchised locations. The Company was supporting that franchise because it was using those franchised locations for testing and development in an attempt to improve the stand-alone take-n-bake concept for future franchising before the Company made the decision in the third quarter to discontinue that concept, resulting in a loss after-tax benefit related to that entity of \$505,000. The Company has no exposure to loss related to this entity in the future. Neither the Company, nor any officers of the Company, have guaranteed any obligations of the franchisee. While the franchisee was determined to be a variable interest entity, as defined by accounting principles generally accepted in the United States, management determined that the Company had a significant variable interest but did not have the power to direct the activities of the variable interest entity that most significantly impact its economic performance. Therefore, the Company was not the primary beneficiary of the franchisee, and as such, was not required to present consolidated financial statements with the franchisee.

**Note 14: Unaudited Quarterly Financial Information**

2016	Quarter Ended			
	December 31	September 30	June 30	March 31
	(in thousands, except per share data)			
Total revenue	\$ 2,095	\$ 2,022	\$ 1,940	\$ 1,779
Operating income	679	856	881	662
Loss on restaurant discontinued	-	-	-	37
Valuation allowance for receivables - including Heyser case	(353)	-	(751)	-
Change in fair value of derivatives	(44)	-	-	-
Net income (loss) before income taxes from continuing operations	(42)	702	47	570
Net income (loss) from continuing operations	(26)	434	31	350
Loss from discontinued operations	(234)	(1,426)	-	-
Net income (loss)	(260)	(993)	31	350
Net income from continuing operations per common share				
Basic	.00	.02	.00	.02
Diluted	.00	.02	.00	.02
Net income (loss) per common share				
Basic	(.01)	(.05)	.00	.02
Diluted	(.01)	(.05)	.00	.02

2015	Quarter Ended			
	December 31	September 30	June 30	March 31
	(in thousands, except per share data)			
Total revenue	\$ 1,888	\$ 1,918	\$ 2,096	\$ 1,827
Operating income	634	725	918	664
Loss on restaurant discontinued	191	-	-	-
Valuation allowance for receivables - including Heyser case	380	250	600	-
Net income before income taxes from continuing operations	15	425	276	618
Net income from continuing operations	10	261	170	380
Loss from discontinued operations	(35)	-	-	-
Net income (loss)	(25)	261	170	380
Net income from continuing operations per common share				
Basic	-	.01	.01	.02
Diluted	-	.01	.01	.02
Net income per common share				
Basic	-	.01	.01	.02
Diluted	-	.01	.01	.02

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, 2016 and 2015, 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, 2016. 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 audit 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 audits 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, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

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

Indianapolis, Indiana  
March 27, 2017



## 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").

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.

Our management, including Paul W. Mobley, the Company's Executive Chairman of the Board and Chief Financial Officer, and A. Scott Mobley, the Company's President and Chief Executive Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2016. Our management has 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.

#### **Management's Evaluation of Disclosure Controls and Procedures**

Based on their evaluation, as of the end of the period covered by this report, Paul W. Mobley, the Company's Executive Chairman of the Board and Chief Financial Officer, and A. Scott Mobley, the company's President and Chief Executive Officer, have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective.

#### **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 2017 Annual Meeting of Shareholders (the "2017 Proxy Statement") and is incorporated herein by reference.

#### **ITEM 11. EXECUTIVE COMPENSATION**

Information concerning this item is included under the captions "Executive Compensation," "Director Compensation" and "Compensation Committee Interlocks and Insider Participation" in the 2017 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 2017 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 2017 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 2017 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:

	<u>Page</u>
Consolidated Balance Sheets - December 31, 2015 and 2016	28
Consolidated Statements of Operations - years ended December 31, 2014, 2015 and 2016	29
Consolidated Statements of Changes in Stockholders' Equity - years ended December 31, 2014, 2015 and 2016	30
Consolidated Statements of Cash Flows - years ended December 31, 2014, 2015 and 2016	31
Notes to Consolidated Financial Statements	32
Report of Independent Registered Accounting Firm. – Somerset CPAs, P.C.	47

#### 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.
3.6	Articles of Amendment of the Articles of Incorporation of the Registrant effective August 23, 2005, filed as Exhibit 3.1 to the Registrant's current report on Form 8-K filed August 29, 2005, is incorporated herein by reference.
4.1	Specimen Common Stock Certificates filed as an exhibit to the Registrant's Registration Statement on Form S-18 filed October 22, 1982 and ordered effective on December 14, 1982 (SEC File No. 2-79963C), is incorporated herein by reference.
4.2	Warrant to purchase common stock, dated July 1, 2015, filed as Exhibit 10.11 to the Registrant's Form 10-Q filed on August 11, 2015, is incorporated herein by reference.
<a href="#">4.3</a>	Form of warrant to purchase common stock, dated November 2, 2016 filed herewith.
10.1	Employment Agreement with Paul W. Mobley dated January 2, 1999 filed as Exhibit 10.1 to Registrant's annual report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.*
10.2	Employment Agreement with A. Scott Mobley dated January 2, 1999 filed as Exhibit 10.2 to Registrant's annual report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.*
10.3	Credit Agreement with BMO Harris Bank, N.A., dated May 25, 2012, filed as Exhibit 10.17 to the Registrant's quarterly report on Form 10-Q filed on August 13, 2012, is incorporated herein by reference.
10.4	First Amendment to Credit Agreement with BMO Harris Bank, N.A. dated October 31, 2013, filed as Exhibit 10.4 to the Registrant's annual report on Form 10-K for the year ended December 31, 2013, is incorporated herein by reference.
10.5	Promissory Note (Term Loan) with BMO Harris Bank, N.A. dated October 31, 2013, filed as Exhibit 10.5 to the Registrant's annual report on Form 10-K for the year ended December 31, 2013 is incorporated herein by reference.
10.6	Promissory Note (Term Loan II) with BMO Harris Bank, N.A. dated October 31, 2013, filed as Exhibit 10.6 to the Registrant's annual report on Form 10-K for the year ended December 31, 2013 is incorporated herein by reference.
10.7	Second Amendment to Credit Agreement with BMO Harris Bank, N.A. dated October 15, 2014, filed as Exhibit 10.7 to the Registrants Annual Report on Form 10-K filed on March 12, 2015, is incorporated herein by reference.
10.8	Promissory Note with BMO Harris Bank, N.A. dated October 15, 2014, filed as Exhibit 10.8 to the Registrant's Annual Report on Form 10-K filed on March 12, 2015, is incorporated herein by reference.



10.9 Agreement dated April 8, 2015, by and among Noble Roman's, Inc. and the shareholder parties, filed as Exhibit 10.1 to Registrant's Form 8-K filed on April 8, 2015, is incorporated herein by reference.

Promissory Note payable to Kingsway America, Inc., dated July 1, 2015, filed as Exhibit 10.10 to the Registrant's Form 10-Q filed on August 11, 2015, is 10.10 incorporated herein by reference.

Third Amendment to Credit Agreement with BMO Harris Bank, N.A. dated January 22, 2016, filed as Exhibit 10.11 to the Registrant's Form 10-K filed on 10.11 March 14, 2015.

Promissory Note payable to BMO Harris Bank, N.A., dated January 22, 2016, filed as Exhibit 10.12 to the Registrant's Form 10-K filed on March 14, 2015. 10.12

Promissory Note payable to BMO Harris Bank, N.A., dated January 22, 2016, filed as Exhibit 10.13 to the Registrant's Form 10-K filed on March 14, 2015. 10.13

Promissory Note payable to Paul W. Mobley, dated June 2016, filed herewith. [10.14](#)

Promissory Note payable to A. Scott Mobley, dated June 2016, filed herewith. [10.15](#)

Form of convertible promissory note dated November 2, 2016, filed herewith. [10.16](#)

[21.1](#) Subsidiaries of the Registrant, filed herewith. **[NTD: Revise to include RH Roanoke, Inc.]**

[31.1](#) C.E.O. Certification under Rule 13a-14(a)/15d-14(a)

[31.2](#) C.F.O. Certification under Rule 13a-14(a)/15d-14(a)

[32.1](#) C.E.O. Certification under Section 1350

[32.2](#) C.F.O. Certification under Section 1350

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\* Identifies an Exhibit that consists of or includes a management contract or compensatory plan or arrangement.

**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 27, 2017

By: /s/ A. Scott Mobley  
A. Scott Mobley  
President and Chief Executive Officer

Date: March 27, 2017

By: /s/ Paul W. Mobley  
Paul W. Mobley  
Executive Chairman,  
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 27, 2017

/s/ Paul W. Mobley  
Paul W. Mobley  
Executive Chairman of the Board,  
Chief Financial Officer and Director

Date: March 27, 2017

/s/ A. Scott Mobley  
A. Scott Mobley  
President, Chief Executive Officer and Director

Date: March 27, 2017

/s/ Douglas H. Coape-Arnold  
Douglas H. Coape-Arnold  
Director

Date: March 27, 2017

/s/ Marcel Herbst  
Marcel Herbst  
Director

THIS WARRANT AND ANY SHARES ACQUIRED UPON THE EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT.

NOBLE ROMAN'S, INC.

REDEEMABLE COMMON STOCK PURCHASE CLASS A WARRANT

\_\_\_\_\_, 2016

THIS COMMON STOCK PURCHASE CLASS A WARRANT (this "Warrant") of Noble Roman's, Inc., a corporation duly organized and validly existing under the laws of Indiana (the "Company"), is issued to the Holder (as defined below). This Warrant is part of a series of Class A Warrants (the "Class A Warrants"), all with the same terms and conditions as those set forth herein, which may be issued by the Company exercisable for up to an aggregate 1,600,000 shares of Common Stock, as defined below, subject to adjustment pursuant to the anti dilution provisions herein. It is being issued as part of a unit purchased by the Holder, as defined below, from the Company pursuant to which the Holder is also purchasing a subordinated convertible note (the "Note") from the Company.

FOR VALUE RECEIVED, the Company hereby certifies that the registered holder hereof \_\_\_\_\_, with an address at \_\_\_\_\_ (the "Holder"), and the Holder's successors and assigns, is entitled to purchase from the Company \_\_\_\_\_ duly authorized, validly issued, fully paid and nonassessable common shares of the Company, no par value (the "Common Stock"), at a purchase price equal to \$1.00 per share, as may be adjusted pursuant to the anti-dilution provisions set forth herein (the "Warrant Price"). The Person, as defined in Section 3.2 below, in whose name this Warrant (or one or more predecessor Warrants) is registered on the records of the Company regarding registration and transfers of the Class A Warrants (the "Warrant Register") is the owner and holder thereof for all purposes, except as described in Section 13 hereof.

1. Vesting of Warrant. This Warrant shall vest and become exercisable as of the date that the Company shall have effected the Share Authorization defined in Section 3.7 below.
  2. Expiration of Warrant. This Warrant shall expire on \_\_\_\_\_, 2019 unless further extended pursuant the terms of Section 3.7 below (the "Expiration Date").
  3. Exercise of Warrant. This Warrant shall be exercisable pursuant to the terms of Section 1 and this Section 3 hereof.
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issued by Noble Roman's, Inc. to  

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## 3.1 Manner of Exercise.

(a) This Warrant may only be exercised by the Holder hereof, in accordance with the terms and conditions hereof, in whole or in part with respect to any portion of this Warrant, into shares of Common Stock (the "Warrant Shares"), during normal business hours on any day other than a Saturday or a Sunday or a day on which commercial banking institutions in New York, New York are authorized by law to be closed (a "Business Day") on or prior to the Expiration Date with respect to such portion of this Warrant, by surrender of this Warrant to the Company at its office maintained pursuant to Section 13.2(a) hereof, accompanied by an exercise notice (the "Exercise Notice") in substantially the form attached to this Warrant as Exhibit A (or a reasonable facsimile thereof) duly executed by the Holder, together with the payment of the Warrant Price.

(b) Cashless Exercise. If at any time commencing one hundred and eighty (180) days after the issuance date of this Warrant, there is no effective Registration Statement registering, or no current prospectus available for the resale of all of the Warrant Shares that may be acquired pursuant to this Warrant by the Holder, then this Warrant may also be exercised at the Holder's election, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the closing price of the Company's Common Stock on the Business Day immediately preceding the date on which Holder elects to exercise this Warrant by means of a "cashless exercise," as set forth in the applicable Exercise Notice;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

Notwithstanding anything herein to the contrary, on the Expiration Date, unless the Holder notifies the Company otherwise, if there is no effective Registration Statement registering, or no current prospectus available for, the resale of the Warrant Shares by the Holder, then this Warrant shall be automatically exercised via cashless exercise pursuant to this Section 3.1(b).

3.2 When Exercise Effective. Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the Business Day on which this Warrant shall have been surrendered to the Company as provided in Section 3.1 hereof, and, at such time, the corporation, association, partnership, organization, business, individual, government or political subdivision thereof or a governmental agency (a "Person" or the "Persons") in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon exercise as provided in Section 3.3 hereof shall be deemed to have become the holder or holders of record thereof.

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issued by Noble Roman's, Inc. to  
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3.3 Delivery of Certificates Upon Exercise. Certificates for shares purchased hereunder shall be transmitted by the Company's transfer agent (the "Transfer Agent") to the Holder by (A) crediting the account of the Holder's prime broker with the Depository Trust Company through its Deposit Withdrawal Agent Commission ("DWAC") system if the Company is then a participant in such system and there is either (1) an effective Registration Statement, as defined in Section 6 below, permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (2) the Warrant Shares are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144 under the Act or (B) if the Company is not then a participant in the DWAC system and there is not an effective Registration Statement as aforesaid, by physical delivery of the certificates, bearing the restrictive legends required by Section 12.1 hereof if the Underlying Shares are otherwise not publicly tradable or without such restrictive legends if the Underlying Shares are otherwise publicly tradable pursuant to Rule 144 under the Act, to the address specified by the Holder in the Exercise Notice by the date that is three (3) Business Days after the latest of (i) the delivery to the Company of the Exercise Notice, (ii) surrender of this Warrant and (iii) payment of the aggregate Exercise Price as set forth above (such date, the "Warrant Share Delivery Date").

3.4 Rescission Rights. If the Warrant is exercised pursuant to 3.3 (A) above, the Company fails to cause the Transfer Agent to transmit the Warrant Shares to the Holder via the DWAC system by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise, which will terminate on the earlier of the actual delivery of the Warrant Shares or three (3) Business Days after the Warrant Share Delivery Date.

3.5 Partial Exercise. In case exercise is in part only, a new Warrant of like tenor, dated the date hereof and calling in the aggregate on the face thereof for the number of Warrant Shares equal to the number of Warrant Shares called for on the face of this Warrant minus the number of Warrant Shares designated by the Holder upon exercise as provided in Section 3.1 hereof (without giving effect to any adjustment thereof).

3.6 Company to Reaffirm Obligations. The Company will, at the time of each exercise of this Warrant, upon the written request of the Holder hereof, acknowledge in writing its continuing obligation to afford to the Holder all rights (including without limitation any rights to registration of the Warrant Shares issued upon exercise) to which the Holder shall continue to be entitled after exercise in accordance with the terms of this Warrant; provided, however, that if the Holder shall fail to make a request, the failure shall not affect the continuing obligation of the Company to afford the rights to such Holder.

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3.7 Agreement to Increase Authorization to Issue Common Stock. As of the date hereof the Company is authorized to issue up to 25,000,000 shares of Common Stock and there are 20,783,032 shares of Common Stock currently issued and outstanding. Total additional shares needed for: currently exercisable outstanding stock options, the conversion of the Notes and the exercise of the Class A Warrants are 6,675,091 shares. Accordingly, the Company will not have a sufficient number of authorized shares to satisfy the above requirement. The Company covenants that, within 150 days after the date hereof it will take whatever action may be required, including obtaining stockholder approval to amend the Company's Certificate of Incorporation to increase the number of shares that the Company is authorized to issue so it can satisfy this issuance requirement (the "Share Authorization"). The Company agrees that in the event that it fails to effect the Share Authorization within 150 days after the date hereof it will extend the Expiration Date for each day that it fails to obtain the Share Authorization after the termination of the aforesaid 150 day period.

4. Warrant Adjustments.

The Warrant Price and the number of shares purchasable upon exercise of this Warrant shall be subject to adjustment with respect to events after the date hereof as follows:

(a) Adjustment for Change in Capital Stock. Except as provided in Paragraph 4 (l) below, if the Company shall (i) declare a dividend on its outstanding Common Stock in shares of its capital stock, (ii) subdivide its outstanding Common Stock, (iii) combine its outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock by reclassification of its Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), then in each such case the Warrant Price in effect immediately prior to such action shall be adjusted so that if this Warrant is thereafter exercised, the Holder may receive the number and kind of shares which the Holder would have owned immediately following such action if the Holder had exercised this Warrant immediately prior to such action. Such adjustment shall be made successively whenever such an event shall occur. The adjustment shall become effective immediately after the record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, combination or reclassification. If after an adjustment the Holder upon exercise of this Warrant may receive shares of two or more classes of capital stock of the Company, the Company's Board of Directors, in good faith, shall determine the allocation of the adjusted Warrant Price between the classes of capital stock. After such allocation, the Warrant Price of each class of capital stock shall thereafter be subject to adjustment on terms comparable to those applicable to Common Stock in this Section 4.

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(b) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 4(a) above, if at any time the Company grants, issues or sells any rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof,) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

(c) Adjustment Upon Issuance of Shares of Common Stock. If and whenever on or after the date hereof, the Company issues or sells, or in accordance with this section is deemed to have issued or sold, any shares of Common Stock (including the issuance or sale of shares of Common Stock owned or held by or for the account of the Company, but excluding any Exempt Issuance issued or sold or deemed to have been issued or sold) for a consideration per share (the "New Issuance Price") less than a price equal to the Warrant Price in effect immediately prior to such issue or sale or deemed issuance or sale (such Conversion Rate then in effect is referred to as the "Applicable Price") (the foregoing a "Dilutive Issuance"), then immediately after such Dilutive Issuance, the Warrant Price then in effect shall be reduced to the New Issuance Price. For all purposes of the foregoing (including, without limitation, determining the adjusted Warrant Price and consideration per share under this section), the following shall be applicable:

i. Issuance of Common Stock Equivalents. If the Company in any manner issues or sells any securities of the Company or any subsidiary which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock (collectively, "Common Stock Equivalents") (other than Common Stock Equivalents that qualify as Exempt Issuances) and the lowest price per share for which one share of Common Stock is issuable upon the conversion, exercise or exchange thereof is less than the Applicable Price, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance or sale of such Common Stock Equivalents for such price per share. For the purposes of this section, the "lowest price per share for which one share of Common Stock is issuable upon the conversion, exercise or exchange thereof" shall be equal to (1) the lower of (x) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to one share of Common Stock upon the issuance or sale of the Common Stock Equivalent and upon conversion, exercise or exchange of such Common Stock Equivalent and (y) the lowest conversion price set forth in such Common Stock Equivalent for which one share of Common Stock is issuable upon conversion, exercise or exchange thereof minus (2) the sum of all amounts paid or payable to the holder of such Common Stock Equivalent (or any other person) upon the issuance or sale of such Common Stock Equivalent plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Common Stock Equivalent (or any other Person). Except as contemplated below, no further adjustment of the Warrant Price shall be made upon the actual issuance of such shares of Common Stock upon conversion, exercise or exchange of such Common Stock Equivalents.

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ii. Change in Price or Rate of Conversion. If the purchase or exercise price provided for in any options, the additional consideration, if any, payable upon the issue, conversion, exercise or exchange of any Common Stock Equivalents, or the rate at which any Common Stock Equivalents are convertible into or exercisable or exchangeable for shares of Common Stock increases or decreases at any time, the Warrant Price in effect at the time of such increase or decrease shall be adjusted to the Warrant Price which would have been in effect at such time had such options or Common Stock Equivalents provided for such increased or decreased purchase price, additional consideration or increased or decreased conversion rate, as the case may be, at the time initially granted, issued or sold. For purposes of this section, if the terms of any Common Stock Equivalent that was outstanding as of the date of issuance of this Warrant are increased or decreased in the manner described in the immediately preceding sentence, then such Common Stock Equivalent and the shares of Common Stock deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such increase or decrease. No adjustment pursuant to this section shall be made if such adjustment would result in an increase of the Warrant Price then in effect.

iii. "Exempt Issuance" means the issuance of (a) shares of Common Stock and options to officers, employees, or directors of the Company issued pursuant to plans that have been approved by a majority of the board of directors of the Company, (b) securities upon the exercise or exchange of or conversion of any securities issued in the Offering and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date immediately prior to the initial closing of this Offering, provided that such securities and any term thereof have not been amended since such date to increase the number of such securities or to decrease the issue price, exercise price, exchange price or conversion price of such securities, (c) full or partial consideration in connection with a strategic merger, acquisition, consolidation or purchase of substantially all of the securities or assets of a corporation or other entity which holders of such securities or debt are not at any time granted any registration rights but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities, and (d) securities in connection with strategic license agreements and other partnering arrangements so long as such issuances are not primarily for the purpose of raising capital and which holders of such securities or debt are not at any time granted registration rights.

(d) Number of Shares. Upon each adjustment of the Warrant Price as a result of the calculations made in Paragraphs 4 (a) and (b) above, this Warrant shall thereafter evidence the right to purchase, at the adjusted Warrant Price, that number of shares (calculated to the nearest one-hundredth) obtained by dividing (i) the product obtained by multiplying the number of shares issuable upon exercise of this Warrant prior to adjustment of the number of shares by Warrant Price in effect prior to adjustment of the Warrant Price by (ii) the Warrant Price in effect after such adjustment of the Warrant Price.

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(e) Transactions Not Requiring Adjustments. No adjustment need be made for a transaction referred to in Paragraphs (a) and (b) of this Section 4 if the Holder is permitted to participate in the transaction on a basis no less favorable than any other party and at a level, which would preserve the Holder's percentage equity participation in the Common Stock upon exercise of this Warrant. No adjustment need be made for sales of Common Stock pursuant to a Company plan for reinvestment of dividends or interest, the granting of options and/or the exercise of options outstanding under any of the Company's currently existing stock option plans, the exercise of currently existing incentive stock options or incentive stock options which may be granted in the future, the exercise of any other of the Company's currently outstanding options, or any currently authorized warrants, whether or not outstanding. No adjustment need be made for a change in the par value of the Common Stock, or from par value to no par value or from no par value to par value. If this Warrant becomes exercisable solely into cash, no adjustment need be made thereafter. Interest will not accrue on the cash.

(f) Action to Permit Valid Issuance of Common Stock. Before taking any action which would cause an adjustment reducing the Warrant Price below the then par value, if any, of the shares of Common Stock issuable upon exercise of this Warrant, the Company will take all corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue shares of such Common Stock at such adjusted Warrant Price.

(g) Minimum Adjustment. No adjustment in the Warrant Price shall be required if such adjustment is less than \$0.01; provided, however, that any adjustments, which by reason of this Paragraph 4 (g) are not required to be made, shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 4 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be. Anything to the contrary notwithstanding, the Company shall be entitled to make such reductions in the conversion price, in addition to those required by this Paragraph 4 (g), as it in its discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, distribution of rights to purchase stock or securities, or distribution of securities convertible into or exchangeable for stock hereafter made by the Company to its stockholders shall not be taxable.

(h) Referral of Adjustment. In any case in which this Section 4 shall require that an adjustment in the Warrant Price be made effective as of a record date for a specified event (the "Exercise Event"), if this Warrant shall have been exercised after such record date, the Company may elect to defer until the occurrence of the Exercise Event issuing to the Holder the shares, if any, issuable upon the Exercise Event over and above the shares, if any, issuable upon such exercise on the basis of the Warrant Price in effect prior to such adjustment; provided, however, that the Company shall deliver to the Holder a due bill or other appropriate instrument evidencing the Holder' right to receive such additional shares upon the occurrence of the Exercise Event.

(i) Number of Shares. Upon each adjustment of the Warrant Price as a result of the calculations made in Paragraphs (a) and (b) of this Section 4, this Warrant shall thereafter evidence the right to purchase, at the adjusted Warrant Price, that number of shares (calculated to the nearest thousandth) obtained by dividing (i) the product obtained by multiplying the number of shares purchasable upon exercise of this Warrant prior to adjustment of the number of shares by the Warrant Price in effect prior to adjustment of the Warrant Price by (ii) the Warrant Price in effect after such adjustment of the Warrant Price.

(j) Voluntary Reduction. The Company from time to time may reduce the Warrant Price by any amount for any period of time if the period is at least 20 days and if the reduction is irrevocable during the period. Whenever the Warrant Price is reduced, the Company shall mail to the Holder a notice of the reduction. The Company shall mail the notice at least 15 days before the date the reduced Warrant Price takes effect. The notice shall state the reduced Warrant Price and the period it will be in effect. A reduction of the Warrant Price does not change or adjust the Warrant Price otherwise in effect for purposes of Paragraphs 4 (a) and (b) above. Anything to the contrary notwithstanding, this Paragraph 4 (j) shall be void and of no effect if it violates the rules and/or regulations of any exchange or inter-dealer quotation system on which the Common Stock is then listed for trading.

(k) Prohibition against Certain Reductions of Warrant Price. Anything to the contrary notwithstanding, in no event shall the Warrant Price be reduced below the par value of the Common Stock.

(l) Notice of Adjustments. Whenever the Warrant Price is adjusted, the Company shall promptly mail to the Holder a notice of the adjustment together with a certificate from the Company's Chief Financial Officer briefly stating (i) the facts requiring the adjustment, (ii) the adjusted Warrant Price and the manner of computing it, and (iii) the date on which such adjustment becomes effective. The certificate shall be prima facie evidence that the adjustment is correct, absent manifest error.

(m) Reorganization of Company. If the Company and/or the Holder of Common Stock are parties to a merger, consolidation or a transaction in which (i) the Company transfers or leases substantially all of its assets; (ii) the Company reclassifies or changes its outstanding Common Stock; or (iii) the Common Stock is exchanged for securities, cash or other assets; the Person who is the transferee or lessee of such assets or is obligated to deliver such securities, cash or other assets shall assume the terms of this Warrant. If the issuer of securities deliverable upon exercise of this Warrant is an affiliate of the surviving, transferee or lessee corporation, that issuer shall join in such assumption. The assumption agreement shall provide that the Holder may exercise this Warrant into the kind and amount of securities, cash or other assets which the Holder would have owned immediately after the consolidation, merger, transfer, lease or exchange if the Holder had exercised this Warrant immediately before the effective date of the transaction. The assumption agreement shall provide for adjustments that shall be as nearly equivalent as may be practical to the adjustments provided for in this Section 4. The successor company shall mail to the Holder a notice briefly describing the assumption agreement. If this Paragraph applies, Paragraph 4 (a) above does not apply.

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(n) Dissolution, Liquidation. In the event of the dissolution or total liquidation of the Company, then after the effective date thereof, this Warrant and all rights thereunder shall expire.

(o) Notices. If (i) the Company takes any action that would require an adjustment in the Warrant Price pursuant to this Section 4; or (ii) there is a liquidation or dissolution of the Company, the Company shall mail to the Holder a notice stating the proposed record date for a distribution or effective date of a reclassification, consolidation, merger, transfer, lease, liquidation or dissolution. The Company shall mail the notice at least 15 days before such date. Failure to mail the notice or any defect in it shall not affect the validity of the transaction.

5. Fractional Shares. If the number of Warrant Shares purchasable upon the exercise of this Warrant is adjusted pursuant to Section 4 hereof, the Company shall nevertheless not be required to issue fractions of shares upon exercise of this Warrant or otherwise, or to distribute certificates that evidence fractional shares. Instead the Company will round any fractional share to the nearest share so that if the fraction is less than 0.5 no share shall be issued and if the fraction is 0.5 or higher the Company shall issue one full share

6. Right to Registration. The Holder has the right to require the Company to register the Warrant Shares pursuant to a registration statement (the "Registration Statement") under the Securities Act of 1933 (the "Act") with the Securities and Exchange Commission (the "Commission") in accordance with the terms of an agreement (the "Registration Rights Agreement") dated as of the date hereof among the Company, the Holder and the holders of other Class A Warrants. The date that the first Registration Statement filed pursuant to the Registration Rights Agreement is declared effective by the Commission is herein referred to as the "Effective Date."

7. Redemption.

7.1 Company's Right to Redeem this Warrant. On or after the Effective Date, as long as the Warrant Shares may be sold publicly, on not less than 30 days notice to the Holder, the Company may redeem this Warrant at a redemption price of \$0.001 times the number of Warrant Shares for which this Warrant can then be exercised (the "Redemption Price"), provided that daily average weighted trading price of the Common Stock equals or exceeds \$2.00 per share for a period of 30 consecutive trading days (commencing after the Effective Date) ending one trading day prior to the date that the notice of redemption is sent. All unexercised Class A Warrants must be redeemed if any Class A Warrants are redeemed.

7.2 Method of Redemption. In case the Company shall desire to exercise its right to redeem this Warrant, it shall mail a notice of redemption to the Holder, first class, postage prepaid, not later than the 30th day before the date fixed for redemption, at the Holder's last address as shall appear in the records of the Company. Any notice mailed in the manner provided herein shall be conclusively presumed to have been duly given whether or not the Holder receives such notice.

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7.3 Notice of Redemption. The notice of redemption shall specify (i) the Redemption Price; (ii) the date fixed for redemption, which may not be less than 30 days after such notice is delivered (the "Redemption Date"); (iii) the place where this Warrant shall be delivered and the Redemption Price paid; and (iv) that the right to exercise this Warrant shall terminate at 5:00 PM (New York time) on the Redemption Date.

7.4 Delivery of Redemption Price and Expiration of Warrant. From and after the Redemption Date, the Company shall, at the place specified in the notice of redemption, upon presentation and surrender to the Company by or on behalf of the Holder of this Warrant to be redeemed, deliver or cause to be delivered to or upon the written order of the Holder a sum in cash equal to the Redemption Price of this Warrant. From and after the Redemption Date and upon the deposit or setting aside by the Company of a sum sufficient to redeem all of the Class A Warrants called for redemption, this Warrant shall expire and become void and all rights hereunder, except the right to receive payment of the Redemption Price, shall cease.

8. No Dilution or Impairment.

8.1 Actions to Permit Issuance of Warrant Shares. The Company will not, by amendment of its certificate of incorporation or through any consolidation, merger, reorganization, transfer of assets, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all of the terms and in the taking of all actions necessary or appropriate in order to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (a) will not permit the par value of any shares of Common Stock receivable upon the exercise of this Warrant to exceed the amount payable therefor upon exercise, (b) will take all actions necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock on the exercise of the Warrant, and (c) will not take any action that results in any adjustment of the Warrant Price if the total number of shares of Common Stock issuable after the action upon the exercise of the Warrant would exceed the total number of shares of Common Stock then authorized by the Company's certificate of incorporation and available for the purpose of issuance upon exercise.

8.2 Acknowledgement of Company's Obligations. The Company acknowledges that, subject to the provisions of Section 3.7, its obligation to issue shares of Common Stock issuable upon exercise of this Warrant is binding upon it and enforceable regardless of the dilution that such issuance may have on the ownership interests of other stockholders.

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9. Chief Financial Officer's Report as to Adjustments. In the case of any adjustment or re-adjustment in the shares of Common Stock issuable upon the exercise of this Warrant, the Company at its expense will promptly compute the adjustment or re-adjustment in accordance with the terms of this Warrant and cause its Chief Financial Officer to certify the computation (other than any computation of the fair value of property as determined in good faith by the Board of Directors of the Company) and prepare a report setting forth the adjustment or re-adjustment and showing in reasonable detail the method of calculation thereof and the facts upon which the adjustment or re-adjustment is based, including a statement of (a) the number of shares of Common Stock outstanding or deemed to be outstanding and (b) the Warrant Price in effect immediately prior to the deemed issuance or sale and as adjusted and re-adjusted (if required by Section 4 hereof) on account thereof. The Company will forthwith mail a copy of each report to the Holder and will, upon the written request at any time of the Holder, furnish to the Holder a like report setting forth the Warrant Price at the time in effect and showing in reasonable detail how it was calculated. The Company will also keep copies of all reports at its office maintained pursuant to Section 13.2(a) hereof and will cause them to be available for inspection at the office during normal business hours upon reasonable notice by the Holder or any prospective purchaser of this Warrant designated by the Holder.

10. Reservation of Shares. The Company shall at all times after the Share Authorization has been effected reserve and keep available out of its authorized but unissued shares of Common Stock, free from all taxes, liens and charges with respect to the issue thereof and not be subject to preemptive rights or other similar rights of stockholders of the Company, solely for the purpose of effecting the exercise of this Warrant, such number of its shares of Common Stock as shall from time to time be sufficient to effect the exercise thereof, and if at any time after the Share Authorization has been effected the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the exercise of this Warrant, in addition to such other remedies as shall be available to the Holder, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase the number of authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including without limitation, using its best efforts to obtain the requisite stockholder approval necessary to increase the number of authorized shares of the Company's Common Stock. After the Share Authorization has been effected all shares of Common Stock issuable upon exercise of this Warrant shall be duly authorized and, when issued upon exercise, shall be validly issued and, in the case of shares, fully paid and nonassessable and free from all preemptive or similar rights, taxes, liens and charges with respect to the issue thereof, and that upon issuance such shares shall be listed on each securities exchange, if any, on which the other shares of outstanding Common Stock of the Company are then listed.

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11. Listing. The Company shall at all times comply in all respects with the Company's reporting, filing and other obligations under the by-laws or rules of each national securities exchange or inter-dealer quotation system upon which shares of Common Stock are then listed and shall list the shares issuable upon the exercise of this Warrant on such national securities exchange or inter-dealer quotation system.

12. Investment Representations: Restrictions on Transfer.

12.1 Investment Representations. The Holder acknowledge that this Warrant and the Warrant Shares have not been and, except as otherwise provided herein, will not be registered under the Act or qualified under applicable state securities laws and that the transferability thereof is restricted by the registration provisions of the Act as well as such state laws. The Holder represents that the Holder is acquiring this Warrant and will acquire the Warrant Shares for the Holder's own account, for investment purposes only and not with a view to resale or other distribution thereof, nor with the intention of selling, transferring or otherwise disposing of all or any part of such securities for any particular event or circumstance, except selling, transferring or disposing of them upon full compliance with all applicable provisions of the Act, the Securities Exchange Act of 1934, the Rules and Regulations promulgated by the Commission thereunder, and any applicable state securities laws. The Holder further understands and agrees that (i) neither this Warrant nor the Warrant Shares may be sold or otherwise transferred unless they are subsequently registered under the Act and qualified under any applicable state securities laws or, in the opinion of counsel reasonably satisfactory to the Company, an exemption from such registration and qualification is available; (ii) any routine sales of the Company's securities made in reliance upon Rule 144 promulgated by the Commission under the Act, can be effected only pursuant to the terms and conditions of that Rule, including applicable holding periods and timely filing requirements with the Commission for the Company; and (iii) except as otherwise set forth herein, the Company is under no obligation to register this Warrant or the Warrant Shares on the Holder's behalf or to assist the Holder in complying with any exemption from registration under the Act. The Holder agrees that each certificate representing any Warrant Shares for which this Warrant may be exercised will bear on its face a legend in substantially the following form:

These securities have not been registered under the Securities Act of 1933 or qualified under any state securities laws. They may not be sold, hypothecated or otherwise transferred in the absence of an effective registration statement under that Act and qualification under applicable state securities laws without an opinion counsel reasonably acceptable to the Company that such registration and qualification are not required.

12.2 Notice of Proposed Transfer; Opinion of Counsel. Prior to any transfer of any securities that are not registered under an effective registration statement under the Act ("Restricted Securities"), the Holder will give written notice to the Company of the Holder's intention to affect a transfer and to comply in all other respects with this Section 12.2. Each notice shall describe the manner and circumstances of the proposed transfer, and (b) shall designate counsel for the Holder giving the notice (who may be in-house counsel for the Holder). The Holder giving notice will submit a copy thereof to the counsel designated in the notice. The following provisions shall then apply:

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(i) If in the opinion of counsel for the Holder reasonably satisfactory to the Company the proposed transfer (i.e. private sale of Restricted Securities) may be effected without registration of Restricted Securities under the Act (which opinion shall state the bases for the legal conclusions reached therein), the Holder shall thereupon be entitled to transfer the Restricted Securities in accordance with the terms of the notice delivered by the Holder to the Company. Each certificate representing the Restricted Securities issued upon or in connection with any transfer shall bear the restrictive legends required by Section 12.1 hereof.

(ii) If the opinion called for in (i) above is not delivered, the Holder shall not be entitled to transfer the Restricted Securities until either (x) receipt by the Company of a further notice from such Holder pursuant to the foregoing provisions of this Section 12.2 and fulfillment of the provisions of clause (i) above, or (y) such Restricted Securities have been effectively registered under the Act.

12.3 Termination of Restrictions. The restrictions imposed by this Section 12 upon the transferability of Restricted Securities shall cease and terminate as to any particular Restricted Securities: (a) which Restricted Securities shall have been effectively registered under the Act; or (b) when, in the opinions of both counsel for the holder thereof and counsel for the Company, which opinion shall not be unreasonably withheld, such restrictions are no longer required in order to insure compliance with the Act or Section 12 hereof. Whenever such restrictions shall cease and terminate as to any Restricted Securities, the holder thereof shall be entitled to receive from the Company, without expense (other than applicable transfer taxes, if any), new securities of like tenor not bearing the applicable legends required by Section 12.1 hereof.

13. Ownership, Transfer and Substitution of Warrant.

13.1 Ownership of Warrant. The Company may treat the Person in whose name this Warrant is registered to in the Warrant Register maintained pursuant to Section 13.2(b) hereof as the owner and holder thereof for all purposes, notwithstanding any notice to the contrary, except that, if and when any Class A Warrant is properly assigned by a notice in substantially the form attached to this Warrant as Exhibit B (or a reasonable facsimile thereof) duly executed by the holder thereof in blank, the Company shall treat the bearer thereof as the owner of such Class A Warrant for all purposes, notwithstanding any notice to the contrary. Subject to Section 12 hereof, this Warrant, if properly assigned, may be exercised by a new holder without a new Warrant first having been issued.

13.2 Office; Transfer and Exchange of Warrant.

(a) The Company will maintain an office (which may be an agency maintained at a bank) at 1 Virginia Avenue, Suite 300, Indianapolis, Indiana 46204 (until the Company notifies the Holder of any change of location of the office) where notices, presentations and demands in respect of this Warrant may be made upon it.

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(b) The Company shall cause to be kept at its office maintained pursuant to Section 13.2(a) hereof a Warrant Register for the registration and transfer of the Class A Warrants. The names and addresses of holders of the Class A Warrants, the transfers thereof and the names and addresses of transferees of the Class A Warrants shall be registered in such Warrant Register. The Person in whose name any Class A Warrant shall be so registered shall be deemed and treated as the owner and holder thereof for all purposes of such Class A Warrant, and the Company shall not be affected by any notice or knowledge to the contrary.

(c) Upon the surrender of this Warrant, properly endorsed, for registration of transfer or for exchange at the office of the Company maintained pursuant to Section 13.2(a) hereof, the Company at its expense will (subject to compliance with Section 12 hereof, if applicable) execute and deliver to or upon the order of the Holder thereof a new Class A Warrant of like tenor, in the name of such holder or as such holder (upon payment by such holder of any applicable transfer taxes) may direct, calling in the aggregate on the face thereof for the number of shares of Common Stock called for on the face of the Class A Warrant so surrendered.

13.3 Replacement of Warrant. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, upon delivery of indemnity reasonably satisfactory to the Company in form and amount or, in the case of any mutilation, upon surrender of this Warrant for cancellation at the office of the Company maintained pursuant to Section 13.2(a) hereof, the Company at its expense will execute and deliver, in lieu thereof, a new Class A Warrant of like tenor and dated the date hereof.

14. No Rights or Liabilities as Stockholder. Except as may otherwise be provided herein, no Holder shall be entitled to vote or receive dividends or be deemed the holder of any shares of Common Stock or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the Holder, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value, consolidation, merger, conveyance, or otherwise) or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until this Warrant shall have been exercised and the shares of Common Stock purchasable upon the exercise hereof shall have become deliverable, as provided herein. The Holder will not be entitled to share in the assets of the Company in the event of liquidation, dissolution or the winding up of the Company.

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15. Notices. Any notice or other communication in connection with this Warrant shall be deemed to be given if in writing addressed as hereinafter provided and actually delivered at such address: (a) if to any Holder, at the registered address of such holder as set forth in the Warrant Register kept at the office of the Company maintained pursuant to Section 13.2(a) hereof, or (b) if to the Company, to the attention of its Chief Financial Officer at its office maintained pursuant to Section 13.2(a) hereof; provided, however, that the exercise of any Warrant shall be effective in the manner provided in Section 3 hereof.

16. Payment of Taxes. The Company will pay all documentary stamp taxes attributable to the issuance of shares of Common Stock underlying this Warrant upon exercise of this Warrant; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the registration of any certificate for shares of Common Stock underlying this Warrant in a name other than that of the Holder. The Holder is responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving shares of Common Stock underlying this Warrant upon exercise hereof.

17. Warrant Agent. The Company shall serve as warrant agent under this Warrant. Upon 30 days notice to the Holder, the Company may appoint a new warrant agent. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party or any corporation to which the Company or any new warrant agent transfers substantially all of its corporate trust or stockholders services business shall be successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

18. Miscellaneous. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. This Warrant shall be construed and enforced in accordance with and governed by the laws of Indiana. The section headings in this Warrant are for purposes of convenience only and shall not constitute a part hereof. If one or more of the provisions or portions of this Warrant shall be deemed by any court or quasi-judicial authority to be invalid, illegal or unenforceable in any respect, the invalidity, illegality or unenforceability of the remaining provisions, or portions of provisions contained herein shall not in any way be affected or impaired thereby. The use herein of the masculine pronouns or similar terms shall be deemed to include the feminine and neuter genders as well and vice versa and the use of the singular pronouns shall be deemed to include the plural as well and vice versa.

IN WITNESS WHEREOF, the Company has caused this Common Stock Purchase Warrant to be duly executed as of the date first above written.

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issued by Noble Roman's, Inc. to

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**NOBLE ROMAN'S, INC.**

By: \_\_\_\_\_

Name: Paul W. Mobley

Title: Executive Chairman

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EXHIBIT A

EXERCISE NOTICE

To Be Executed by the Holder  
in Order to Exercise Class A Warrants

TO: **NOBLE ROMAN'S, INC.**

(1) The undersigned hereby elects to purchase \_\_\_\_\_ Warrant Shares of the Company pursuant to the terms of the attached Warrant, and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall be in lawful money of the United States.

(3) Please issue a certificate or certificates representing the Warrant Shares in the name of the undersigned or in such other name as is specified below:

\_\_\_\_\_

The Warrant Shares shall be delivered to the following DWAC Account Number or by physical delivery of a certificate to:

\_\_\_\_\_

\_\_\_\_\_

Dated: \_\_\_\_\_

X \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Address

\_\_\_\_\_

Taxpayer Identification Number

\_\_\_\_\_

\_\_\_\_\_

Signature Guaranteed

\_\_\_\_\_

**EXHIBIT B**

[FORM OF ASSIGNMENT]

To be executed by the registered holder if such holder  
desires to transfer the Warrant Certificate.

FOR VALUE RECEIVED \_\_\_\_\_

hereby sells, assigns and transfers unto

\_\_\_\_\_

(Please print name and address of transferee)

this Warrant Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney, to transfer the within  
Warrant Certificate on the books of the within-named Company, with full power of substitution.

Dated: \_\_\_\_\_

Signature \_\_\_\_\_

(Signature must conform in all respects to  
name of holder as specified on the face of  
the Warrant Certificate.)

\_\_\_\_\_

(Insert Social Security or Other  
Identifying Number of Holder)

\_\_\_\_\_

Signature Guaranteed

\_\_\_\_\_

## AMENDED AND RESTATED PROMISSORY NOTE

\$250,000.00

August 1<sup>st</sup>, 2016

FOR VALUE RECEIVED, Noble Roman's, Inc, an Indiana corporation (the "**Debtor**" or the "**Company**"), hereby promises to pay to Paul and Jenny Mobley (the "**Holder**") the principal sum of Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00) or so much as may have been disbursed hereunder, together with interest, in the manner provided herein. Each of the Holder and the Debtor are collectively referred to herein as the "**Parties**". This Note amends, restates and continues the obligations of the Debtor evidenced by each of that certain Promissory Note dated December 21, 2015 and that certain Promissory Note dated April 20, 2016, in each case issued by the Debtor to the Holder and is not a novation thereof.

1. Loans. Upon the request of the Debtor, the Holder may, in its discretion, make certain loans to the Debtor from time to time prior to the Final Payment Date (as defined below). The Debtor may borrow, pay, reborrow and repay, in whole or in part, such loans; provided, that no loan shall be made if: (a) any Event of Default (as defined below) has occurred or is continuing or would result from such loan by the Holder; or (b) if, before or after the making of such loan, the aggregate outstanding principal amount of all loans evidenced by this Note would exceed Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00).

2. Repayment of Principal. The entire principal balance of this Note shall be due and payable on June 10, 2018 and (b) the exercise of remedies by the Holder pursuant to Section 5, of this Note (the "**Final Payment Date**"). All principal and interest payable pursuant to this Note may be prepaid in whole or in part at any time, without payment of any penalty or premium.

3. Interest on Unpaid Principal Balance. Interest shall accrue on the unpaid principal balance of this Note at a rate of ten percent (10%) per annum (computed on the basis of a 360-day year containing 12 months, counting the actual number of days in each month), such accrued and unpaid interest shall be paid quarterly in arrears on the last business day of March, June, September and December of each year commencing June 30, 2016. All accrued and unpaid interest shall be due and payable at the Final Payment Date.

4. Payments. The Debtor will pay to Holder, by check for all amounts payable to the Holder in respect of the principal of, or interest on, this Note, without any presentation of this Note. Each such payment, when paid, shall be applied first to the payment of interest, fees, expenses and other charges accrued and unpaid under this Note in such order as Holder shall determine and

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second to the payment or prepayment of the principal hereof. Notwithstanding anything herein to the contrary, all outstanding principal, accrued interest and all other amounts under this Note shall be immediately due and payable in full at the Final Payment Date.

5. Event of Default. The occurrence of any one or more of the following events will constitute an "Event of Default" hereunder:

(a) Nonpayment of any installment of principal and/or interest due under this Note when it shall become due and payable (no prior demand therefor being necessary);

(b) Any representation or warranty made or deemed to be made by Debtor in this Note, or any other document, instrument or certificate delivered in connection herewith or therewith is or shall be incorrect in any material respect on or as of the date when made or deemed to have been made; provided, that any representation or warranty that is already qualified in the text thereof as to "materiality", "material adverse effect" or similar language shall be true and correct in all respects so stated on the applicable date;

(c) The Debtor shall default in the performance of any other obligation, covenant or agreement contained in this Note (subject to any applicable grace periods), provided that the Debtor shall have the opportunity to cure such default within ten (10) business days of its receipt of notice of default;

(d) (i) the appointment of a receiver, trustee, custodian or other fiduciary, for, or for any of the property of, the Debtor; or (ii) the making of an assignment for the benefit of creditors by the Debtor; and if any of (i) through (ii) are involuntary, the failure to discharge same within sixty (60) days;

(e) The filing of a petition, complaint, motion or other pleading seeking relief under any receivership, insolvency, or debtor relief law, or seeking any readjustment of indebtedness, reorganization, composition, extension or any similar type of relief, or the filing of a petition, complaint, or motion under any chapter of the federal bankruptcy code, 11 U.S.C. 101 et seq., as the same now exists or may hereafter be amended (the "Bankruptcy Code"), by the Debtor;

(f) The filing of a petition, complaint, motion or other pleading seeking any relief under any receivership, insolvency, or debtor relief law, or under any chapter of the Bankruptcy Code, or seeking any readjustment of indebtedness, reorganization, composition, extension or any similar

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type of relief, or the entry of any order for relief under any chapter of the Bankruptcy Code, against, the Debtor; provided, however, that if the Debtor shall notify Holder in writing of the filing of any such petition, complaint, motion or other pleading against the Debtor and shall provide evidence satisfactory to Holder that the Debtor has in good faith and within thirty (30) days after the filing of any such petition, complaint, motion or other pleading filed an answer thereto contesting same, then there shall be no Event of Default under this subparagraph (e) until the earliest of (i) the entry of an order for relief or a judgment under any proceedings referred to in this subparagraph (e), (ii) the appointment of a receiver, trustee, custodian or other fiduciary in any such proceeding or (iii) the expiration of a period of sixty (60) days, at the end of which such petition, complaint, motion or other pleading remains undismissed;

(g) The dissolution, liquidation or termination of existence of the Debtor;

(h) A Sale of the Company shall occur;

(i) Debtor fails to make any of its filings required by the Securities Exchange Act of 1934, as amended, by the dates they are required to be filed in accordance with the rules and regulations promulgated by the Securities and Exchange Commission from time to time (without giving effect to any available extension of time with respect to any such filing);

(j) A delisting of the Debtor's Common Stock from the OTCQB marketplace.

Upon the occurrence and continuance of any Event of Default, this Note, at the option of the Holder, shall become immediately due and payable without notice of any kind; provided that this Note shall become automatically due and payable upon any Event of Default occurring under clauses (d), (e) and (f) above without any further action on behalf of Holder. The Holder's failure to exercise such option shall not constitute a waiver of the right to exercise it at any other time. Irrespective of the exercise or non-exercise of the foregoing option, if any payment of principal and/or interest is not paid in full on the date the same is due, the interest rate under this Note on the overdue amount shall be increased to eighteen percent (18%) per annum until said amount is paid in full.

Notwithstanding any provisions of this Note, it is the understanding and agreement of the Debtor and the Holder that the maximum rate of interest to be paid by the Debtor to the Holder shall not exceed the highest or maximum rate of interest permissible to be charged to a commercial borrower under any law applicable hereto. Any amount paid in excess of such rate shall be considered to

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have been payments in reduction of principal, and if there shall be no principal amount then outstanding, such excess shall be returned to the Debtor as an overpayment of principal.

6. Representations and Warranties.

(a) Power and Authority; Execution and Delivery. Debtor has the corporate or other organizational power and authority to execute, deliver, perform and otherwise carry out the terms and provisions of this Note and the Warrant (including such power and authority to borrow the funds as contemplated herein and to issue the equity securities as contemplated by the Warrant) and has taken all necessary corporate or other organizational action to authorize the execution, delivery and performance of this Note. Debtor has duly executed and delivered this Note and any documents executed and delivered in connection herewith or therewith.

(b) Enforceability. This Note constitutes the legal, valid and binding obligation of Debtor, enforceable against Debtor in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, moratorium, reorganization and other similar laws relating to or affecting creditors' rights generally.

(c) No Violation. The execution, delivery and performance by Debtor of this Note, the compliance with the terms and provisions hereof and thereof, and the consummation of the transactions contemplated hereby and thereby, do not and will not (i) conflict with, contravene or violate any provision of any applicable law, (ii) violate any order or decree of, or require any authorization, consent, approval, exemption or other action by or notice to, any Person which has not been obtained and is in full force and effect, (iii) conflict with, result in a breach of any of the terms, covenants, conditions or provisions of, constitute a default under, otherwise result in the termination of or a termination right under, (x) any material indenture, note, loan agreement, lease agreement, mortgage, deed of trust or other financing or security agreement, or (y) any other material agreement to which it or any of its property or assets is bound, or (iv) violate any provision of the its organization documents (i.e., charter, by-laws, etc.) or any material permit or license of Debtor.

7. Definitions. The following terms, as used herein, have the following respective meanings:

“**Sale of the Company**” means the sale (in a single transaction or a series of related transactions) of the Company to any Independent Third Party or group of Independent Third Parties pursuant to which such Independent Third Party or

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group of Independent Third Parties acquires (a) a majority of the Common Stock on a Fully-Diluted Basis (whether by merger, consolidation, sale or Transfer of Common Stock, reorganization, recapitalization or otherwise), or (b) all or substantially all of the assets of the Company and its Subsidiaries, determined on a consolidated basis. For purposes of this definition, all Common Stock that is issuable upon exercise or conversion of any Stock Equivalents acquired by an Independent Third Party shall be deemed to be issued and held by such Independent Third Party.

“**Subsidiary**” means any corporation, limited liability company, partnership, association, joint stock company, trust, joint venture or unincorporated organization of which the Company, at the time in respect of which such term is used, (a) owns directly or indirectly more than fifty percent (50%) of the equity or beneficial interests, on a consolidated basis, or (b) owns directly or controls with power to vote, indirectly through one or more subsidiaries, shares of capital stock or beneficial interests having the power to cast a majority of the votes entitled to be cast for the election of directors, trustees, managers or other officials having powers analogous to those of directors of a corporation. Unless otherwise specifically indicated, when used in this Agreement, the term Subsidiary shall refer to a direct or indirect Subsidiary of the Company.

“**Transfer**” means any direct or indirect transfer, donation, sale, assignment, pledge, encumbrance, hypothecation, gift, creation of a security interest in or lien on, or other disposition, irrespective of whether any of the foregoing are effected with or without consideration, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, inter vivos or upon death.

8. No Security. This Note is unsecured on a senior basis.
  9. Costs. If, and as often as, this Note is referred to an attorney for the collection of any sum payable hereunder, or to defend or enforce any of the Parties’ rights hereunder, or to commence an action, cross-claim, third-party claim or counterclaim relating to this Note, the Debtor hereby agrees to pay all reasonable costs incurred by the Parties in connection therewith including reasonable attorneys’ fees (including such fees incurred in appellate, bankruptcy or insolvency proceedings), with or without the institution of any action or proceeding.
  10. Governing Law. This Agreement shall be governed by and construed in accordance with the domestic Laws of the State of Indiana without giving effect to any choice or conflict of Law provision or rule (whether of the State of Indiana or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Indiana.
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11. Waiver of Jury Trial. EACH OF THE PARTIES WAIVES THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OR RELATED TO THIS PROMISSORY NOTE IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AFFILIATE OF ANY OTHER SUCH PARTY, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS OR OTHERWISE. THE PARTIES AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS PROMISSORY NOTE OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS NOTE.

12. Assignment. This Note and the rights and obligations hereunder shall be freely assignable, in whole or in part, by the Holder without the consent of the Debtor or any other Person; provided that any proposed assignee shall expressly agree to be bound by the terms of the Subordination Agreement.

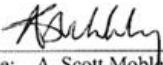
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IN WITNESS WHEREOF, the Debtor has caused this Amended and Restated Promissory Note to be duly executed as of the day and year first above written.

**DEBTOR:**

**NOBLE ROMAN'S, INC.**

By:   
Name: A. Scott Mobley  
Title: President and CEO

On this 11<sup>th</sup> day of August, 2016

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## AMENDED AND RESTATED PROMISSORY NOTE

\$60,000.00

August 10, 2016

FOR VALUE RECEIVED, Noble Roman's, Inc, an Indiana corporation (the "**Debtor**" or the "**Company**"), hereby promises to pay to Scott Mobley (the "**Holder**") the principal sum of Sixty Thousand and 00/100 Dollars (\$60,000.00) or so much as may have been disbursed hereunder, together with interest, in the manner provided herein. Each of the Holder and the Debtor are collectively referred to herein as the "**Parties**". This Note amends, restates and continues the obligations of the Debtor evidenced by each of that certain Promissory Note dated December 21, 2015 and that certain Promissory Note dated February 29, 2016, in each case issued by the Debtor to the Holder and is not a novation thereof.

1. Loans. Upon the request of the Debtor, the Holder may, in its discretion, make certain loans to the Debtor from time to time prior to the Final Payment Date (as defined below). The Debtor may borrow, pay, reborrow and repay, in whole or in part, such loans; provided, that no loan shall be made if: (a) any Event of Default (as defined below) has occurred or is continuing or would result from such loan by the Holder; or (b) if, before or after the making of such loan, the aggregate outstanding principal amount of all loans evidenced by this Note would exceed Sixty Thousand and 00/100 Dollars (\$60,000.00).

2. Repayment of Principal. The entire principal balance of this Note shall be due and payable on June 10, 2018 and (b) the exercise of remedies by the Holder pursuant to Section 5, of this Note (the "**Final Payment Date**"). All principal and interest payable pursuant to this Note may be prepaid in whole or in part at any time, without payment of any penalty or premium.

3. Interest on Unpaid Principal Balance. Interest shall accrue on the unpaid principal balance of this Note at a rate of ten percent (10%) per annum (computed on the basis of a 360-day year containing 12 months, counting the actual number of days in each month), such accrued and unpaid interest shall be paid quarterly in arrears on the last business day of March, June, September and December of each year commencing March 31, 2016. All accrued and unpaid interest shall be due and payable at the Final Payment Date.

4. Payments. The Debtor will pay to Holder, by check for all amounts payable to the Holder in respect of the principal of, or interest on, this Note, without any presentation of this Note. Each such payment, when paid, shall be applied first to the payment of interest, fees, expenses and other charges accrued and unpaid under this Note in such order as Holder shall determine and second to the payment or prepayment of the principal hereof. Notwithstanding anything herein to the contrary, all outstanding principal, accrued interest and all other amounts under this Note shall be immediately due and payable in full at the Final Payment Date.

5. Event of Default. The occurrence of any one or more of the following events will constitute an "Event of Default" hereunder:

(a) Nonpayment of any installment of principal and/or interest due under this Note when it shall become due and payable (no prior demand therefor being necessary);

(b) Any representation or warranty made or deemed to be made by Debtor in this Note, or any other document, instrument or certificate delivered in connection herewith or therewith is or shall be incorrect in any material respect on or as of the date when made or deemed to have been made; provided, that any representation or warranty that is already qualified in the text thereof as to "materiality", "material adverse effect" or similar language shall be true and correct in all respects so stated on the applicable date;

(c) The Debtor shall default in the performance of any other obligation, covenant or agreement contained in this Note (subject to any applicable grace periods), provided that the Debtor shall have the opportunity to cure such default within ten (10) business days of its receipt of notice of default;

(d) (i) the appointment of a receiver, trustee, custodian or other fiduciary, for, or for any of the property of, the Debtor; or (ii) the making of an assignment for the benefit of creditors by the Debtor; and if any of (i) through (ii) are involuntary, the failure to discharge same within sixty (60) days;

(e) The filing of a petition, complaint, motion or other pleading seeking relief under any receivership, insolvency, or debtor relief law, or seeking any readjustment of indebtedness, reorganization, composition, extension or any similar type of relief, or the filing of a petition, complaint, or motion under any chapter of the federal bankruptcy code, 11 U.S.C. 101 et seq., as the same now exists or may hereafter be amended (the "Bankruptcy Code"), by the Debtor;

(f) The filing of a petition, complaint, motion or other pleading seeking any relief under any receivership, insolvency, or debtor relief law, or under any chapter of the Bankruptcy Code, or seeking any readjustment of indebtedness, reorganization, composition, extension or any similar type of relief, or the entry of any order for relief under any chapter of the Bankruptcy Code, against, the Debtor; provided, however, that if the Debtor shall notify Holder in writing of the filing of any such petition, complaint, motion or other pleading against the Debtor and shall provide evidence satisfactory to Holder that the Debtor has in good faith and within thirty (30) days after the filing of any such petition, complaint, motion or other pleading filed an answer thereto contesting same, then there shall be no Event of Default under this subparagraph (e) until the earliest of (i) the entry of an order for relief or a judgment under any proceedings referred to in this subparagraph (e), (ii) the appointment of a receiver, trustee, custodian or other fiduciary in any such proceeding or (iii) the expiration of a period of sixty (60) days, at the end of which such petition, complaint, motion or other pleading remains undismissed;



(g) The dissolution, liquidation or termination of existence of the Debtor;

(h) A Sale of the Company shall occur;

(i) Debtor fails to make any of its filings required by the Securities Exchange Act of 1934, as amended, by the dates they are required to be filed in accordance with the rules and regulations promulgated by the Securities and Exchange Commission from time to time (without giving effect to any available extension of time with respect to any such filing);

(j) A delisting of the Debtor's Common Stock from the OTCQB marketplace.

Upon the occurrence and continuance of any Event of Default, this Note, at the option of the Holder, shall become immediately due and payable without notice of any kind; provided that this Note shall become automatically due and payable upon any Event of Default occurring under clauses (d), (e) and (f) above without any further action on behalf of Holder. The Holder's failure to exercise such option shall not constitute a waiver of the right to exercise it at any other time. Irrespective of the exercise or non-exercise of the foregoing option, if any payment of principal and/or interest is not paid in full on the date the same is due, the interest rate under this Note on the overdue amount shall be increased to eighteen percent (18%) per annum until said amount is paid in full.

Notwithstanding any provisions of this Note, it is the understanding and agreement of the Debtor and the Holder that the maximum rate of interest to be paid by the Debtor to the Holder shall not exceed the highest or maximum rate of interest permissible to be charged to a commercial borrower under any law applicable hereto. Any amount paid in excess of such rate shall be considered to have been payments in reduction of principal, and if there shall be no principal amount then outstanding, such excess shall be returned to the Debtor as an overpayment of principal.

#### 6. Representations and Warranties.

(a) Power and Authority; Execution and Delivery. Debtor has the corporate or other organizational power and authority to execute, deliver, perform and otherwise carry out the terms and provisions of this Note and the Warrant (including such power and authority to borrow the funds as contemplated herein and to issue the equity securities as contemplated by the Warrant) and has taken all necessary corporate or other organizational action to authorize the execution, delivery and performance of this Note. Debtor has duly executed and delivered this Note and any documents executed and delivered in connection herewith or therewith.

(b) Enforceability. This Note constitutes the legal, valid and binding obligation of Debtor, enforceable against Debtor in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, moratorium, reorganization and other similar laws relating to or affecting creditors' rights generally.

(c) No Violation. The execution, delivery and performance by Debtor of this this Note, the compliance with the terms and provisions hereof and thereof, and the consummation of the transactions contemplated hereby and thereby, do not and will not (i) conflict with, contravene or violate any provision of any applicable law, (ii) violate any order or decree of, or require any authorization, consent, approval, exemption or other action by or notice to, any Person which has not been obtained and is in full force and effect, (iii) conflict with, result in a breach of any of the terms, covenants, conditions or provisions of, constitute a default under, otherwise result in the termination of or a termination right under, (x) any material indenture, note, loan agreement, lease agreement, mortgage, deed of trust or other financing or security agreement, or (y) any other material agreement to which it or any of its property or assets is bound, or (iv) violate any provision of the its organization documents (i.e., charter, by-laws, etc.) or any material permit or license of Debtor.

7. Definitions. The following terms, as used herein, have the following respective meanings:

**"Sale of the Company"** means the sale (in a single transaction or a series of related transactions) of the Company to any Independent Third Party or group of Independent Third Parties pursuant to which such Independent Third Party or group of Independent Third Parties acquires (a) a majority of the Common Stock on a Fully-Diluted Basis (whether by merger, consolidation, sale or Transfer of Common Stock, reorganization, recapitalization or otherwise), or (b) all or substantially all of the assets of the Company and its Subsidiaries, determined on a consolidated basis. For purposes of this definition, all Common Stock that is issuable upon exercise or conversion of any Stock Equivalents acquired by an Independent Third Party shall be deemed to be issued and held by such Independent Third Party.

**"Subsidiary"** means any corporation, limited liability company, partnership, association, joint stock company, trust, joint venture or unincorporated organization of which the Company, at the time in respect of which such term is used, (a) owns directly or indirectly more than fifty percent (50%) of the equity or beneficial interests, on a consolidated basis, or (b) owns directly or controls with power to vote, indirectly through one or more subsidiaries, shares of capital stock or beneficial interests having the power to cast a majority of the votes entitled to be cast for the election of directors, trustees, managers or other officials having powers analogous to those of directors of a corporation. Unless otherwise specifically indicated, when used in this Agreement, the term Subsidiary shall refer to a direct or indirect Subsidiary of the Company.

"Transfer" means any direct or indirect transfer, donation, sale, assignment, pledge, encumbrance, hypothecation, gift, creation of a security interest in or lien on, or other disposition, irrespective of whether any of the foregoing are effected with or without consideration, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, inter vivos or upon death.

8. No Security. This Note is unsecured on a senior basis.

9. Costs. If, and as often as, this Note is referred to an attorney for the collection of any sum payable hereunder, or to defend or enforce any of the Parties' rights hereunder, or to commence an action, cross-claim, third-party claim or counterclaim relating to this Note, the Debtor hereby agrees to pay all reasonable costs incurred by the Parties in connection therewith including reasonable attorneys' fees (including such fees incurred in appellate, bankruptcy or insolvency proceedings), with or without the institution of any action or proceeding.

10. Governing Law. This Agreement shall be governed by and construed in accordance with the domestic Laws of the State of Indiana without giving effect to any choice or conflict of Law provision or rule (whether of the State of Indiana or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Indiana.

11. Waiver of Jury Trial. EACH OF THE PARTIES WAIVES THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OR RELATED TO THIS PROMISSORY NOTE IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AFFILIATE OF ANY OTHER SUCH PARTY, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS OR OTHERWISE. THE PARTIES AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS PROMISSORY NOTE OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS NOTE.

12. Assignment. This Note and the rights and obligations hereunder shall be freely assignable, in whole or in part, by the Holder without the consent of the Debtor or any other Person; provided that any proposed assignee shall expressly agree to be bound by the terms of the Subordination Agreement.

[Remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Debtor has caused this Promissory Note to be duly executed as of the day and year first above written.

**DEBTOR:**

**NOBLE ROMAN'S, INC.**

A handwritten signature in black ink that reads "Paul Mobley". The signature is written in a cursive, slightly slanted style.

By  
Name: Paul Mobley  
Title: Executive Chairman

On this \_\_\_\_\_ day of August, 2016

Registered #

**NOBLE ROMAN'S, INC.**  
**10% CONVERTIBLE SUBORDINATED UNSECURED NOTE**  
**DUE [REDACTED], 2019**

\$50,000.00

[REDACTED], 2016

**THIS NOTE IS ISSUED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION PROVISIONS OF THE SECURITIES ACT OF 1933 (THE "ACT") AND QUALIFICATION PROVISIONS OF APPLICABLE STATE SECURITIES LAWS. NEITHER IT NOR THE SHARES OF COMMON STOCK INTO WHICH IT CAN BE CONVERTED CAN BE SOLD, HYPOTHECATED OR OTHERWISE TRANSFERRED UNLESS REGISTERED PURSUANT TO THE ACT AND QUALIFIED UNDER APPLICABLE STATE LAW OR, IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO MAKER, AN EXEMPTION THEREFROM IS AVAILABLE.**

FOR VALUE RECEIVED, the undersigned, Noble Roman's, Inc., an Indiana corporation with offices at 1 Virginia Avenue, Suite 300, Indianapolis, IN 46204 ("Maker"), promises to pay to [REDACTED] with an address at [REDACTED] ("Payee"), on [REDACTED], 2019, except as otherwise provided herein (the "Maturity Date"), the principal amount of Fifty Thousand (\$50,000.00) Dollars in lawful money of the United States of America (the "Principal") together with all accrued interest.

This Note is one of a series of notes (collectively the "Notes"), all with the same terms and conditions as those set forth herein, which may be issued by Maker up to the aggregate principal amount of One Million, Six Hundred Thousand (\$1,600,000.00) Dollars. Each Note is part of an offering (the "Offering") of up to thirty two (32) units (the "Units") being conducted by Maker. Each Unit consists of one Note in the principal amount of Fifty Thousand (\$50,000.00) Dollars and fifty thousand (50,000) Class A Redeemable Warrants (the "Class A Warrants"), each of which will be exercisable, for three years after issuance, for one (1) share of Common Stock, as defined in the next succeeding paragraph, at a price equal to one dollar (\$1.00) and no cents per share, subject to certain anti dilution provisions. The Offering will terminate on the sooner of the sale of all of the Units or [REDACTED], 2016 (unless extended to [REDACTED], 2016, at the option of Maker and the placement agent in the Offering).

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**[NOTE HOLDER' NAME TO BE INSERTED]**

This Note is (i) subordinated to certain of Maker's indebtedness as defined in Section 6 herein as "Senior Debt"; (ii) convertible into Maker's ordinary shares, no par value per share (the "Common Stock"); and (iii) is unsecured all as set forth below. It bears simple interest (the "Interest") at the annual rate of ten percent (10%), payable, in arrears, on the Interest Payment Dates (as defined in Section 1 below), until the Principal and all accrued Interest thereon (collectively the "Obligations") shall be paid in full, or converted to Common Stock; provided that, commencing on the 150<sup>th</sup> day after the issuance of the initial Note issued in the Offering, if the Share Authorization has not been completed the annual rate of interest shall increase to 12% until such time as the Share Authorization has been completed.

1. Interest. Maker will pay Interest on the fifteenth day of each July, October, January and April, (the "Interest Payment Dates") commencing on January 15, 2017. Interest on this Note will accrue from the most recent date to which Interest has been paid or, if no Interest has been paid, from the date of delivery of this Note. If an Interest Payment Date falls on a date that is not a Business Day, the Interest shall be payable on the next succeeding Business Day. Interest will be computed on the basis of a 360-day year of twelve 30-day months. A "Business Day" is any day other than a Saturday, a Sunday or a day on which commercial banking institutions in New York, New York are authorized by law to be closed.
  2. Method of Payment. Maker will pay Principal and Interest in money of the United States that at the time of payment is legal tender for the payment of public and private debts. Maker may, however, pay Principal and Interest by its check, subject to collection, payable in such money. It may mail an Interest check to Payee's address as it first appears on this Note or such other address as Payee shall give by notice to Maker. Payee must surrender this Note to Maker to collect Principal payments or to convert to Common Stock. If less than the then outstanding Principal is paid or converted, this Note shall be surrendered only for notation by Maker of the Principal payment made or converted and returned to Payee. Anything to the contrary notwithstanding, in the event that Payee converts this Note as provided in Section 3 below, at Payee's option, Maker shall pay all then accrued but unpaid Interest in cash or in Common Stock, at the sole discretion of the Maker at the then existing Conversion Rate, as defined in Section 3(a) below.
  3. Conversion.
    - (a) Payee's right to Convert. Except as provided in Paragraph 3(g)(iii) below, Payee shall have the right, at any time commencing on the date that Maker shall have effected the Share Authorizarion defined in Section 3(h) below until the close of business on the day the Obligations are paid in full, to cause the conversion (a "Conversion") of all or any portion (if such portion is Five Thousand (\$5,000) Dollars or a whole multiple of Five Thousand (\$5,000) Dollars) of the Principal, and Interest as provided in Section 2 above, outstanding at the time such Conversion is effected (the "Convertible Obligations") into shares of Common Stock (the "Underlying Shares"). The price for Conversion, subject to adjustment as provided in Section 4 below, shall be Fifty (\$0.50) Cents per share (the "Conversion Rate"), subject to adjustment as provided below. Maker will not issue a fractional share of Common Stock upon Conversion but will round any fractional share to the nearest share so that if the fraction is less than 0.5 no share shall be issued and if the fraction is 0.5 or higher Maker shall issue one full share.
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**[NOTE HOLDER' NAME TO BE INSERTED]**

- (b) Manner of Conversion. Payee may exercise Payee's Conversion right by completing, executing and sending to Maker a completed and executed Note Conversion Form appended hereto as Annex A (the "Conversion Notice") setting forth the amount of the Convertible Obligations to be converted and providing the other information required in the Conversion Notice. Maker shall issue the number of Underlying Shares into which the Convertible Obligations are to be converted in accordance with the Conversion Rate. If required by applicable federal or state securities laws or regulations, Payee shall represent in writing to Maker prior to the receipt of the Underlying Shares that such Shares will be acquired by Payee for investment only and not for resale or with a view to the distribution thereof, and shall agree that any certificates representing the Shares may bear a legend, conspicuously noting such restriction, as Maker shall deem reasonably necessary or desirable to enable it to comply with any applicable federal and/or state laws or regulations.
- (c) Delivery of Certificates Upon Conversion. Certificates for Underlying Shares to be issued upon Conversion shall be transmitted by Maker's transfer agent (the "Transfer Agent") to Payee (A) by crediting the account of Payee's prime broker with the Depository Trust Company through its Deposit Withdrawal Agent Commission ("DWAC") system if Maker is then a participant in such system and there is either (1) an effective Registration Statement, as defined in Section 5 below, permitting the issuance of the Underlying Shares to or resale of the Underlying Shares by Payee or (2) the Underlying Shares are eligible for resale by Payee without volume or manner-of-sale limitations pursuant to Rule 144 under the Act, or (B) if Maker is not then a participant in the DWAC system and there is not an effective Registration Statement as aforesaid, by physical delivery of the certificates, bearing the restrictive legends required by Section 3(b) above if the Underlying Shares are otherwise not publicly tradable or without such restrictive legends if the Underlying Shares are otherwise publicly tradable or eligible for resale by the Maker without volume or manner-of-sale limitations pursuant to Rule 144, to the address specified by Payee in the Conversion Notice by the date that is three (3) Business Days after the later of (i) the delivery to Maker of the Conversion Notice or (ii) surrender of this Note (such date, the "Underlying Share Delivery Date").
- (d) Rescission Rights. If Maker fails to cause the Transfer Agent to transmit to Payee a certificate or the certificates representing the Underlying Shares pursuant to Paragraph 3(c) above by the Underlying Share Delivery Date, then, Payee will have the right to rescind such Conversion, which will terminate on the earlier of the actual delivery of the Underlying Shares or three (3) Business Days after the Underlying Share Delivery Date.
- (e) Partial Conversion. If only a portion of the Convertible Obligations then outstanding is converted, Maker shall deliver to Payee, together with the aforesaid certificate(s), a new note, in form and substance identical to this Note, except that the principal amount thereof shall equal that portion of the Obligations then outstanding which has not been converted.
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**[NOTE HOLDER' NAME TO BE INSERTED]**

- (f) Taxes on Shares Issued. The issue of stock certificates on Conversions of this Note shall be made without charge to Payee for any tax in respect of such issue. Maker shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of Common Stock in any name other than that of Payee, and Maker shall not be required to issue or deliver any certificates representing such Common Stock unless and until the person or persons requesting the issue thereof shall have paid to Maker the amount of such tax or shall have established to the satisfaction of Maker that such tax has been paid.
- (g) Covenants of Maker Relating to Conversion. Maker covenants and agrees that from and after the date that Maker shall have effected the Share Authorizarion defined in Section 3(h) below and until the date of repayment of all of the Obligations, or Conversion of all of the Convertible Obligations:
- (i) It shall reserve, free from preemptive rights, out of its authorized but unissued shares, or out of shares held in its treasury, sufficient shares to provide for the Conversion of this Note from time to time as this Note is presented for Conversion;
  - (ii) All Underlying Shares that may be issued upon Conversion of this Note will upon issue be validly issued, fully paid and non-assessable, free from all taxes, liens and charges with respect to the issue thereof, and will not be subject to the preemptive rights of any stockholder of Maker;
  - (iii) If any Underlying Shares to be provided for the purpose of Conversion of the Convertible Obligations require registration with or approval of any governmental authority under any federal or state law before such shares may be validly issued upon Conversion, Maker will in good faith and as expeditiously as possible endeavor to secure such registration or approval, as the case may be, and Maker's obligation to deliver shares of the Common Stock upon Conversion of the Convertible Obligations shall be abated until such registration or approval is obtained; provided, however, that this Note and the Obligations shall remain outstanding unless paid in full until Maker delivers the Underlying Shares and any then accrued but unpaid Interest to Payee and in no event shall this Note be converted until Maker effects such delivery; and
  - (iv) If, and thereafter so long as the Common Stock shall be listed on any securities exchange, market or other quotation system, Maker will, if permitted by the rules of such exchange, market or other quotation system, list and keep listed and for sale so long as the Common Stock shall be so listed on such exchange, market or other quotation system, upon official notice of issuance, all Underlying Shares issuable upon Conversion of the Convertible Obligations.
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**[NOTE HOLDER' NAME TO BE INSERTED]**

- (h) Covenant to Increase Authorization to Issue Common Stock. As of the date hereof Maker is authorized to issue up to 25,000,000 shares of Common Stock and there are 20,783,032 shares of Common Stock currently issued and outstanding. Total additional shares needed for: currently exercisable outstanding stock options, the conversion of the Notes and the exercise of the Class A Warrants are 6,675,091 shares. Accordingly, Maker will not have a sufficient number of authorized shares to satisfy the above requirement. Maker covenants that, within 150 days after the date hereof it will take whatever action may be required, including obtaining stockholder approval to amend the Company's Certificate of Incorporation to increase the number of shares that the Company is authorized to issue so it can satisfy this issuance requirement (the "Share Authorization"). Maker's failure to comply with the covenant contained in this Section 3(h) shall not be an Event of Default as defined in this Note.
4. Adjustment in Conversion Rate.
- (a) Adjustment for Change in Capital Stock. Except as provided in Paragraph 4 (l) below, if Maker shall (i) declare a dividend on its outstanding Common Stock in shares of its capital stock, (ii) subdivide its outstanding Common Stock, (iii) combine its outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock by reclassification of its Common Stock (including any such reclassification in connection with a consolidation or merger in which Maker is the continuing corporation), then in each such case the Conversion privilege and the Conversion Rate in effect immediately prior to such action shall be adjusted so that if this Note is thereafter converted, Payee may receive the number and kind of shares which Payee would have owned immediately following such action if Payee had converted this Note immediately prior to such action. Such adjustment shall be made successively whenever such an event shall occur. The adjustment shall become effective immediately after the record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, combination or reclassification. If after an adjustment Payee upon Conversion of this Note may receive shares of two or more classes of capital stock of Maker, Maker's Board of Directors shall determine, in good faith, the allocation of the adjusted Conversion Rate between or among, as the case may be, the classes of capital stock. After such allocation, the conversion privilege and conversion rate of each class of capital stock shall thereafter be subject to adjustment on terms comparable to those applicable to Common Stock in this Section 4.
- (b) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 4(a) above, if at any time Maker grants, issues or sells any rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then Payee will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which Payee could have acquired if Payee had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without regard to any limitations on exercise hereof), immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.
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[NOTE HOLDER' NAME TO BE INSERTED]

- (c) Action to Permit Valid Issuance of Common Stock. Before taking any action that would cause an adjustment reducing the Conversion Rate below the then par value, if any, of the shares of Common Stock issuable upon conversion of the Notes, Maker will take all corporate action which may, in the opinion of its counsel, be necessary in order that Maker may validly and legally issue shares of such Common Stock at such adjusted Conversion Rate.
  - (d) Minimum Adjustment. No adjustment in the Conversion Rate shall be required if such adjustment is less than 2% of the then existing Conversion Rate; provided, however, that any adjustments which by reason of this Paragraph 4 (d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 4 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be. Anything to the contrary notwithstanding, Maker shall be entitled to make such reductions in the Conversion Rate, in addition to those required by this Paragraph 4 (d), as it in its discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, distribution of rights to purchase stock or securities, or distribution of securities convertible into or exchangeable for stock hereafter made by Maker to its stockholders shall not be taxable.
  - (e) Referral of Adjustment. In any case in which this Section 4 shall require that an adjustment in the Conversion Rate be made effective as of a record date for a specified event (the "Conversion Event"), if this Note shall have been converted after such record date, Maker may elect to defer until the occurrence of the Conversion Event issuing to Payee the shares, if any, issuable upon the Conversion Event over and above the shares, if any, issuable upon such Conversion Event on the basis of the Conversion Rate in effect prior to such adjustment; provided, however, that Maker shall deliver to Payee a due bill or other appropriate instrument evidencing Payee's right to receive such additional shares upon the occurrence of the event requiring such adjustment.
  - (f) Number of Shares. Upon each adjustment of the Conversion Rate as a result of the calculations made in Paragraphs 4(a) and (b) above, this Note shall thereafter evidence the right to purchase, at the adjusted Conversion Rate, that number of shares (calculated to the nearest one-hundredth) obtained by dividing (i) the product obtained by multiplying the number of shares issuable upon Conversion of this Note prior to adjustment of the number of shares by the Conversion Rate in effect prior to adjustment of the Conversion Rate by (ii) the Conversion Rate in effect after such adjustment of the Conversion Rate.
  - (g) When No Adjustment Required. No adjustment need be made for a transaction referred to in Paragraphs 4(a) and (b) above if Payee is permitted to participate in the transaction on a basis no less favorable than any other party and at a level that would preserve Payee's percentage equity participation in the Common Stock upon Conversion of this Note. No adjustment need be made for sales of Common Stock pursuant to a plan by Maker for reinvestment of dividends or interest, the granting of options and/or the exercise of options outstanding under any of Maker's currently existing stock option plans, the exercise of any other of Maker's currently outstanding options, or any currently authorized warrants, whether or not outstanding. No adjustment need be made for a change in the par value of the Common Stock, or from par value to no par value or no par value to par value. If this Note becomes convertible solely into cash, no adjustment need be made thereafter. Interest will not accrue on the cash.
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**[NOTE HOLDER' NAME TO BE INSERTED]**

- (h) Notice of Adjustment. Whenever the Conversion Rate is adjusted, Maker shall promptly mail to Payee a notice of the adjustment together with a certificate from Maker's Chief Financial Officer briefly stating (i) the facts requiring the adjustment, (ii) the adjusted Conversion Rate and the manner of computing it, and (iii) the date on which such adjustment becomes effective. The certificate shall be evidence that the adjustment is correct, absent manifest error.
  - (i) Voluntary Reduction. Maker from time to time may reduce the Conversion Rate by any amount for any period of time if the period is at least twenty (20) days and if the reduction is irrevocable during the period. Whenever the Conversion Rate is reduced, Maker shall mail to Payee a notice of the reduction. Maker shall mail the notice at least fifteen (15) days before the date the reduced Conversion Rate takes effect. The notice shall state the reduced Conversion Rate and the period it will be in effect. A reduction of the Conversion Rate does not change or adjust the Conversion Rate otherwise in effect for purposes of Paragraphs 4 (a) and (b) above. Anything to the contrary notwithstanding, this Paragraph 4(i) shall be void and of no effect if it violates the rules and/or regulations of any exchange or inter-dealer quotation system on which the Common Stock is then listed for trading.
  - (j) Prohibition against Certain Reductions of Conversion Rate. Anything to the contrary notwithstanding, in no event shall the Conversion Rate be reduced below the par value of the Common Stock.
  - (k) Notice of Certain Transactions. If (i) Maker takes any action that would require an adjustment in the Conversion Rate pursuant to this Section 4; or (ii) there is a liquidation or dissolution of Maker, Maker shall mail to Payee a notice stating the proposed record date for a distribution or effective date of a reclassification, consolidation, merger, transfer, lease, liquidation or dissolution. Maker shall mail the notice at least fifteen (15) days before such date. Failure to mail the notice or any defect in it shall not affect the validity of the transaction.
  - (l) Reorganization of Maker. If Maker and/or the holders of Common Stock are parties to a merger, consolidation or a transaction in which (i) Maker transfers or leases substantially all of its assets; (ii) Maker reclassifies or changes its outstanding Common Stock; or (iii) the Common Stock is exchanged for securities, cash or other assets; the person who is the transferee or lessee of such assets or is obligated to deliver such securities, cash or other assets shall assume the terms of this Note. If the issuer of securities deliverable upon Conversion of this Note is an affiliate of the surviving, transferee or lessee corporation, that issuer shall join in such assumption. The assumption agreement shall provide that the Payee may convert the Convertible Obligations into the kind and amount of securities, cash or other assets that Payee would have owned immediately after the consolidation, merger, transfer, lease or exchange if Payee had converted this Note immediately before the effective date of the transaction. The assumption agreement shall provide for adjustments that shall be as nearly equivalent as may be practical to the adjustments provided for in this Section 4. The successor company shall mail to Payee a notice briefly describing the assumption agreement. If this Paragraph applies, Paragraph 4 (a) above does not apply.
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[NOTE HOLDER' NAME TO BE INSERTED]

- (m) Adjustment Upon Issuance of Shares of Common Stock. If and whenever on or after the date hereof, Maker issues or sells, or in accordance with this section is deemed to have issued or sold, any shares of Common Stock (including the issuance or sale of shares of Common Stock owned or held by or for the account of the Company, but excluding any Exempt Issuance issued or sold or deemed to have been issued or sold) for a consideration per share (the "New Issuance Price") less than a price equal to the Conversion Rate in effect immediately prior to such issue or sale or deemed issuance or sale (such Conversion Rate then in effect is referred to as the "Applicable Price") (the foregoing a "Dilutive Issuance"), then immediately after such Dilutive Issuance, the Conversion Rate then in effect shall be reduced to the New Issuance Price. For all purposes of the foregoing (including, without limitation, determining the adjusted Conversion Rate and consideration per share under this section), the following shall be applicable:
- i. Issuance of Common Stock Equivalents. If Maker in any manner issues or sells any securities of Maker or any subsidiary which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock (collectively, "Common Stock Equivalents") (other than Common Stock Equivalents that qualify as Exempt Issuances) and the lowest price per share for which one share of Common Stock is issuable upon the conversion, exercise or exchange thereof is less than the Applicable Price, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance or sale of such Common Stock Equivalents for such price per share. For the purposes of this section, the "lowest price per share for which one share of Common Stock is issuable upon the conversion, exercise or exchange thereof" shall be equal to (1) the lower of (x) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to one share of Common Stock upon the issuance or sale of the Common Stock Equivalent and upon conversion, exercise or exchange of such Common Stock Equivalent and (y) the lowest conversion price set forth in such Common Stock Equivalent for which one share of Common Stock is issuable upon conversion, exercise or exchange thereof minus (2) the sum of all amounts paid or payable to the holder of such Common Stock Equivalent (or any other person) upon the issuance or sale of such Common Stock Equivalent plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Common Stock Equivalent (or any other Person). Except as contemplated below, no further adjustment of the Conversion Rate shall be made upon the actual issuance of such shares of Common Stock upon conversion, exercise or exchange of such Common Stock Equivalents.
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[NOTE HOLDER' NAME TO BE INSERTED]

- ii. Change in Option Price or Rate of Conversion. If the purchase or exercise price provided for in any options, the additional consideration, if any, payable upon the issue, conversion, exercise or exchange of any Common Stock Equivalents, or the rate at which any Common Stock Equivalents are convertible into or exercisable or exchangeable for shares of Common Stock increases or decreases at any time, the Conversion Rate in effect at the time of such increase or decrease shall be adjusted to the Conversion Rate which would have been in effect at such time had such options or Common Stock Equivalents provided for such increased or decreased purchase price, additional consideration or increased or decreased conversion rate, as the case may be, at the time initially granted, issued or sold. For purposes of this section, if the terms of any Common Stock Equivalent that was outstanding as of the date of issuance of this Note are increased or decreased in the manner described in the immediately preceding sentence, then such Common Stock Equivalent and the shares of Common Stock deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such increase or decrease. No adjustment pursuant to this section shall be made if such adjustment would result in an increase of the Conversion Rate then in effect.
  - iii. "Exempt Issuance" means the issuance of (a) shares of Common Stock and options to officers, employees, or directors of Maker issued pursuant to plans that have been approved by a majority of the board of directors of Maker, (b) securities upon the exercise or exchange of or conversion of any securities issued in the Offering and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date immediately prior to the initial closing of this Offering, provided that such securities and any term thereof have not been amended since such date to increase the number of such securities or to decrease the issue price, exercise price, exchange price or conversion price of such securities, (c) full or partial consideration in connection with a strategic merger, acquisition, consolidation or purchase of substantially all of the securities or assets of a corporation or other entity which holders of such securities or debt are not at any time granted any registration rights but shall not include a transaction in which Maker is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities, and (d) securities in connection with strategic license agreements and other partnering arrangements so long as such issuances are not primarily for the purpose of raising capital and which holders of such securities or debt are not at any time granted registration rights.
5. Right to Registration. Payee has the right to require Maker to register the resale of the Underlying Shares and the shares issuable upon exercise of the Warrants owned by Payee (the "Warrant Shares") under the Act pursuant to a registration statement (a "Registration Statement") filed with the Securities and Exchange Commission (the "Commission") in accordance with the terms of an agreement (the "Registration Rights Agreement") dated as of the date hereof among Maker, Payee and the holders of the other Notes. The date that the first Registration Statement filed pursuant to the Registration Rights Agreement is declared effective by the Commission is herein referred to as the "Effective Date."
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[NOTE HOLDER' NAME TO BE INSERTED]

6. Subordination; Pari Passu with other Notes. This Note is subordinated to "Senior Debt," which is the principal of and premium, if any, and interest (including post-petition interest, if any) on, and any other payment due pursuant to the terms of instruments creating or evidencing Indebtedness of Maker outstanding on the date of this Note or Indebtedness thereafter created, incurred, assumed or guaranteed by Maker and all renewals, extensions and refundings thereof, which is payable to banks or other institutional lenders and including debt incurred in connection with equipment leasing transactions, unless in the instrument creating or evidencing such Indebtedness, it is not provided that such Indebtedness is senior in right of payment to this Note. There shall be no limitation on the amount of Senior Debt that Maker may incur. Notwithstanding the foregoing, Senior Debt with respect to Maker or any subsidiary thereof shall not include (i) any Indebtedness of Maker to any such subsidiary for money borrowed or advanced from such subsidiary, or (ii) any Indebtedness representing the redemption price of any preferred stock. "Indebtedness," as applied to any entity, means any indebtedness, contingent or otherwise, in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such entity or only to a portion thereof), or evidenced by bonds, notes, debentures or similar instruments or letters of credit, or representing the balance deferred and unpaid of the purchase price of any property or interest therein, except any such balance that constitutes a trade payable, if and to the extent that such indebtedness would appear as a liability upon a balance sheet of such entity prepared on a consolidated basis in accordance with generally accepted accounting principles in the United States. So long as any Senior Debt shall remain outstanding and unpaid or the Lender has any obligation to extend credit to the Maker, no payment shall be made on this Note without Lender's prior written consent; provided, however, that payments of Principal and Interest may be made on this Note on the due date and thereafter so long as (i) Maker is not in default in the payment of principal or interest on the Senior Debt, and (ii) Maker has not received written notice that some other default has occurred and is continuing under any Senior Debt. This Note shall be paid on a pari passu basis with all other Notes.
7. Covenants. Maker covenants and agrees that from and after the date hereof and until the date of repayment or conversion to Common Stock in full of the Obligations it shall comply with the following conditions:
- (i) Maintenance of Existence and Conduct of Business. Maker shall, and shall cause each of its subsidiaries, if any, to (A) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and rights; and (B) continue to conduct its business so that the business carried on in connection therewith may be properly and advantageously conducted at all times.
  - (ii) Books and Records. Maker shall, and shall cause each of its subsidiaries, if any, to keep adequate books and records of account with respect to its business activities.
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**[NOTE HOLDER' NAME TO BE INSERTED]**

- (iii) Insurance. Maker shall, and shall cause each of its subsidiaries, if any, to maintain insurance policies insuring such risks as are customarily insured against by companies engaged in businesses and/or with property similar to those operated and/or owned or leased by Maker or any such subsidiaries, as the case may be, including but not limited to, insurance policies covering real property. All such policies are to be carried with reputable insurance carriers and shall be in such amounts as are customarily insured against by companies with similar assets and properties engaged in a similar business.
  - (iv) Compliance with Law. Maker shall, and shall cause each of its subsidiaries, if any, to comply in all material respects with all federal, state, local and foreign laws and regulations applicable to it or such subsidiaries, as the case may be, which, if breached, would have a material adverse effect on Maker's or such subsidiaries', as the case may be, business, prospects, operations, properties, assets or condition (financial or otherwise).
  - (v) Compliance with Material Agreements, Leases, Licenses and Financial Obligations. All of the terms of each of Maker's and/or its subsidiaries', if any, and affiliates', material agreements, leases, licenses and financial obligations shall be complied with, and each of them shall be kept in full force and effect in accordance with their respective terms.
8. Reorganization of Maker. If Maker is party to a merger, consolidation or a transaction in which it is not the surviving or continuing entity or transfers or leases all or substantially all of its assets, the person who is the surviving or continuing entity or is the transferee or lessee of such assets shall assume the terms of this Note and the Obligations.
9. Representations and Warranties of Maker. Maker represents and warrants that: (i) it, and each of its subsidiaries, if any, is a corporation or other entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite power to carry on its business as now conducted and to own its properties and assets it now owns; (ii) it, and each of its subsidiaries, if any, is duly qualified or licensed to do business as a foreign corporation or other entity in good standing in the jurisdictions in which ownership of property or the conduct of its business requires such qualification except jurisdictions in which the failure to qualify to do business will have no material adverse effect on its business, prospects, operations, properties, assets or condition (financial or otherwise); (iii) it, and each of its subsidiaries, if any, and/or affiliates thereof, holds all licenses and otherwise complies with all laws, rules and regulations required to permit it to own its property and conduct its business in the jurisdictions in which it owns its property and conducts its business; (iv) it has full power and authority to execute and deliver this Note, and that the execution and delivery of this Note will not result in the breach of or default under, with or without the giving of notice and/or the passage of time, any other agreement, financial instrument, arrangement or indenture to which it is a party or by which it may be bound, or the violation of any law, statute, rule, decree, judgment or regulation binding upon it; (v) it, and each of its subsidiaries, if any, is in material compliance with all of its financial obligations and all of its material agreements; (vi) there is no action, suit, proceeding, or investigation pending or currently threatened against it or any of its subsidiaries, if any; and (vii) it has taken and will take all acts required, including but not limited to authorizing the signatory hereof on its behalf to execute this Note, so that upon the execution and delivery of this Note, it shall constitute the valid and legally binding obligation of Maker enforceable against Maker in accordance with the terms thereof.
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[NOTE HOLDER' NAME TO BE INSERTED]

10. Defaults and Remedies.

- (a) Events of Default. The occurrence or existence of any one or more of the following events or conditions (regardless of the reasons therefor) shall constitute an "Event of Default" hereunder:
- (i) Maker shall fail to make any payment of Principal or Interest when due and payable or declared due and payable pursuant to the terms hereof and such failure shall remain uncured for a period of thirty (30) days thereafter;
  - (ii) Maker shall fail at any time to be in material compliance with any of the covenants set forth in Section 3(c) or Section 7 of this Note, or, except as provided in Section 3(h) above, shall fail at any time to be in material compliance with or neglect to perform, keep or observe any of the provisions of this Note to be complied with, performed, kept or observed by Maker and such failure shall remain uncured for a period of thirty (30) days after notice thereof has been given by Payee to Maker;
  - (iii) Any representation or warranty made in this Note by Maker shall be untrue or incorrect in any material respect as of the date when made or deemed made;
  - (iv) Maker shall commit an Event of Default in any of the other Notes as that term is defined therein;
  - (v) Any money judgment, writ or warrant of attachment, or similar process not covered by insurance in excess of Fifty Thousand (\$50,000) Dollars in the aggregate shall be entered or filed against Maker or any of its subsidiaries, if any, or any of their properties or other assets and shall remain unpaid, unvacated, unbonded or unstayed for a period of thirty (30) days;
  - (vi) Maker or any of its subsidiaries, if any, shall make an assignment for the benefit of creditors or shall be unable to pay its debts as they become due;
  - (vii) Maker or any of its subsidiaries, if any, shall have received a written notice of default related to any material agreement to which it is a party and such act of default shall remain uncured after any applicable cure period;
  - (viii) A case or proceeding shall have been commenced against Maker or any of its subsidiaries, if any, (each a "Proceeding Company") in a court having competent jurisdiction seeking a decree or order in respect of a Proceeding Company (A) under Title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable federal, state or foreign bankruptcy or other similar law; (B) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of a Proceeding Company, or any of its properties; or (C) ordering the winding-up or liquidation of the affairs of a Proceeding Company, and such case or proceeding shall remain unstayed or un-dismissed for a period of sixty (60) consecutive days or such court shall enter a decree or order granting the relief sought in such case or proceeding; or
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[NOTE HOLDER' NAME TO BE INSERTED]

- (ix) A Proceeding Company shall (A) file a petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable federal, state or foreign bankruptcy or other similar law; or (B) consent to the institution of proceedings there under or to the filing of any such petition or to the appointment of or the taking of possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of such Proceeding Company, or any of its properties.
- (b) Remedies. Upon the occurrence of an Event of Default specified in Paragraphs 10(a) (viii) and (ix) above, all Obligations then remaining unpaid hereunder shall immediately become due and payable in full, plus interest on the unpaid portion of the Obligations at the highest rate permitted by applicable law, without notice to Maker and without presentment, demand, protest or notice of protest, all of which are hereby waived by Maker together with all reasonable costs and expenses of the collection and enforcement of this Note, including reasonable attorney's fees and expenses, all of which shall be added to the amount due under this Note. Upon the occurrence of any other Event of Default, the holders of no less than 50.1% in principal amount of the Notes may thereafter, at their option immediately by notice to Maker, declare all Obligations then remaining unpaid or converted to Common Stock hereunder immediately due and payable, whereupon the same shall forthwith mature and become due and payable, without any further notice to Maker and without presentment, demand, protest or notice of protest, all of which are hereby waived by Maker. Upon a declaration of acceleration, the entire Obligations then remaining unpaid or not converted to Common Stock hereunder shall become immediately due and payable in full plus interest on the unpaid portion of the Obligations at the highest rate permitted by applicable law and all reasonable costs and expenses of the collection and enforcement of this Note, including reasonable attorney's fees and expenses, all of which shall be added to the amount due under this Note. The rights, powers, privileges and remedies of Payee pursuant to the terms hereof are cumulative and not exclusive of any other rights, powers, privileges and remedies that Payee may have under this Note or any other instrument or agreement.
11. Maker's Right to Convert Note. On or after the earlier of the Effective Date as long as a Registration Statement remains effective or the date on which the Underlying Shares may otherwise be sold publicly without restriction pursuant to Rule 144 of the Act, Maker may, at its option, convert all of this Note, but not any portion thereof, in accordance with the provisions of Section 3 above at any time on not less than thirty (30) days' prior written notice, provided that the daily average weighted trading price of the Common Stock equals or exceeds One dollar and fifty cents (\$1.50) per share for a period of thirty (30) consecutive trading days (which period must commence after the Effective Date) ending one trading day prior to the notice of redemption. If this Note is converted pursuant to the terms of this Section 11 then all of the Notes must be converted.
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**[NOTE HOLDER' NAME TO BE INSERTED]**

12. Acknowledgment of Payee's Investment Representations. By accepting this Note, Payee acknowledge that this Note has not been and will not be registered under the Act or qualified under any state securities laws and that the transferability thereof is restricted by the registration provisions of the Act as well as the qualification provisions of such state laws. Based upon the representations and agreements being made by Payee herein, this Note is being issued to Payee pursuant to an exemption from such registration provided by Section 4 (2) of the Act and Rule 506 promulgated there under, and such applicable state securities law qualification exemptions. Payee represents that Payee is acquiring this Note for Payee's own account, for investment purposes only and not with a view to resale or other distribution thereof, or with the intention of selling, transferring or otherwise disposing of all or any part of it for any particular event or circumstance, except selling, transferring or disposing of it only upon full compliance with all applicable provisions of the Act, the Exchange Act, the Rules and Regulations promulgated by the Commission there under, and any applicable state securities laws. Payee further understands and agree that no transfer of this Note shall be valid unless made in compliance with the restrictions set forth on the front of this Note, effected on Maker's books by the registered holder hereof, in person or by an attorney duly authorized in writing, and similarly noted hereon. Maker may charge Payee a reasonable fee for any re registration, transfer or exchange of this Note.
  
  13. Limitation of Interest Payments. Nothing contained in this Note or in any other agreement between Maker and Payee requires Maker to pay or Payee to accept Interest in an amount that would subject Maker to any penalty or forfeiture under applicable law. In no event shall the total of all charges payable hereunder, whether of Interest or of such other charges that may or might be characterized as interest, exceed the maximum rate permitted to be charged under the laws of the state of Indiana. Should Payee receive any payment, which is or would be in excess of that permitted to be charged under such laws, such payment shall have been and shall be deemed to have been made in error and shall automatically be applied to reduce the Principal outstanding on this Note.
  
  14. Miscellaneous.
    - (a) Effect of Forbearance. No forbearance, indulgence, delay or failure to exercise any right or remedy by Payee with respect to this Note shall operate as a waiver or as an acquiescence in any default.
  
    - (b) Effect of Single or Partial Exercise of Right. No single or partial exercise of any right or remedy by Payee shall preclude any other or further exercise thereof or any exercise of any other right or remedy by Payee.
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**[NOTE HOLDER' NAME TO BE INSERTED]**

- (c) Governing Law; Venue. This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the internal laws of the State of Indiana applicable to contracts made and to be performed entirely within such State. Any action, suit or proceeding in connection with this Note may be brought against Maker in a federal or state court of record located in Marion County, Indiana, and Maker and Payee each agrees to submit to the personal jurisdiction of such court and waives any objection which either may have, based on improper venue or forum non conveniens, to the conduct of any proceeding in any such court and waives personal service of any and all process upon it, and consents that all such service of process be made by mail or messenger directed to it at the address referred to in Paragraph 14(g) below and that service so made shall be deemed to be completed upon the earlier of actual receipt or five (5) days after the same shall have been posted to its address.
  - (d) Headings. The headings and captions of the various paragraphs herein are for convenience of reference only and shall in no way modify any of the terms or provisions of this Note.
  - (e) Loss, Theft, Destruction or Mutilation. Upon receipt by Maker of evidence reasonably satisfactory to it of loss, theft, destruction or mutilation of this Note, Maker shall make and deliver or caused to be made and delivered to Payee a new Note of like date and tenor in lieu of this Note.
  - (f) Modification of Note or Waiver of Terms Thereof. No modification or waiver of any of the provisions of this Note shall be effective unless in writing and signed by Maker and Payee and then only to the extent set forth in such writing, or shall any such modification or waiver be applicable except in the specific instance for which it is given. This Note may not be discharged orally but only in writing duly executed by Payee.
  - (g) Notice. All offers, acceptances, notices, requests, demands and other communications under this Note shall be in writing and, except as otherwise provided herein, shall be deemed to have been given only: (i) when delivered in person; (ii) one (1) day after deposit with a nationally recognized overnight courier service; or, (iii) five (5) days after having been mailed by certified or registered mail prepaid, to the parties at their respective addresses first set forth above, or at such other address as may be given in writing in future by either party to the other. Notice may also be given via electronic or facsimile transmission to a party who provides such party's fax number or email address to the other party and shall be deemed to have been given if receipt thereof is confirmed by the recipient.
  - (h) Transfer. This Note shall be transferable only on the books of Maker upon delivery thereof duly endorsed by Payee or by Payee's duly authorized attorney or representative, or accompanied by proper evidence of succession, assignment, or authority to transfer. In all cases of transfer by an attorney, executor, administrator, guardian, or other legal representative, duly authenticated evidence of his or its authority shall be produced. Upon any registration of transfer, Maker shall deliver a new Note or Notes to the person entitled thereto. Notwithstanding the foregoing, Maker shall have no obligation to cause Notes to be transferred on its books to any person if, in the reasonable opinion of counsel to Maker, such transfer does not comply with the provisions of the Act and the rules and regulations there under and/or applicable state securities laws.
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[NOTE HOLDER' NAME TO BE INSERTED]

- (i) Successors and Assigns. This Note shall be binding upon Maker, its successors, assigns and transferees, and shall inure to the benefit of and be enforceable by Payee and Payee's successors and assigns.
- (j) Severability. If one or more of the provisions or portions of this Note shall be deemed by any court or quasi-judicial authority to be invalid, illegal or unenforceable in any respect, the invalidity, illegality or unenforceability of the remaining provisions, or portions of provisions contained herein shall not in any way be affected or impaired thereby.
- (k) Gender. The use herein of the masculine pronouns or similar terms shall be deemed to include the feminine and neuter genders as well and vice versa and the use of the singular pronouns shall be deemed to include the plural as well and vice versa.

(signature page to follow)

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**[NOTE HOLDER' NAME TO BE INSERTED]**

IN WITNESS WHEREOF, Maker has caused this Note to be executed on its behalf by an officer thereunto duly authorized as of the date set forth above.

Noble Roman's, Inc.  
An Indiana corporation

By: \_\_\_\_\_  
Paul W. Mobley, Executive Chairman

ATTEST: \_\_\_\_\_  
          , Secretary

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[NOTE HOLDER' NAME TO BE INSERTED]

ANNEX A

NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the 10% Convertible Subordinated Unsecured Note due           , 2019 of Noble Roman's, Inc., an Indiana corporation (the "Company"), into shares of common stock (the "Common Stock"), of the Company according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

The undersigned agrees to comply with the delivery requirements set forth in the Subscription Agreement and Investment Letter to which this Notice of Conversion is appended as Annex A under the applicable securities laws in connection with any transfer of the aforesaid shares of Common Stock.

Conversion calculations:

Date to Effect Conversion:

Principal Amount of Debenture to be Converted:

Number of shares of Common Stock to be issued:

Signature:

Name:

Address for Delivery of Common Stock Certificates:

Or

DWAC Instructions:

Broker No: \_\_\_\_\_

Account No: \_\_\_\_\_

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SUBSIDIARIES OF THE REGISTRANT

Pizzaco, Inc.

N.R. Realty, Inc.

RH Roanoke, Inc.

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I, A. Scott Mobley, certify that:

1. I have reviewed this annual report on Form 10-K of Noble Roman's, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2017

/s/ A. Scott Mobley

\_\_\_\_\_  
A. Scott Mobley

President and Chief Executive Officer

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I, Paul W. Mobley, certify that:

1. I have reviewed this annual report on Form 10-K of Noble Roman's, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2017

/s/ Paul W. Mobley  
\_\_\_\_\_  
Paul W. Mobley  
Executive Chairman and  
Chief Financial Officer

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Noble Roman's, Inc. (the "Company") on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, A. Scott Mobley, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ A. Scott Mobley

\_\_\_\_\_  
A. Scott Mobley  
President and Chief Executive Officer  
Of Noble Roman's, Inc.

March 27, 2017

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Noble Roman's, Inc. (the "Company") on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul W. Mobley, Executive Chairman and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Paul W. Mobley

\_\_\_\_\_  
Paul W. Mobley  
Executive Chairman and Chief Financial  
Officer of Noble Roman's, Inc.

March 27, 2017

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