

NOBLE ROMANS INC
Form 10-K
March 14, 2016

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, 2015.
- Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
for the transition period from ____ to ____.

Commission file number 0-11104

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

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

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

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

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

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 (do not check if a smaller reporting company)
 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, 2015, 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 \$21.6 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 4, 2016.

Documents Incorporated by Reference:

Portions of the definitive proxy statement for the registrant’s 2016 Annual Meeting of Shareholders are incorporated by reference in Part III.

NOBLE ROMAN'S, INC.
 FORM 10-K
 Year Ended December 31, 2015

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PART 1

ITEM 1. BUSINESS

General Information

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

Noble Roman's Pizza

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

A fully-prepared pizza crust that captures the made-from-scratch pizzeria flavor which gets delivered to non-traditional and grocery locations shelf-stable so that dough handling is no longer an impediment to a consistent product in those types of operations.

Crust made with only specially milled flour (except for its gluten-free crust) with above average protein and yeast.

Fresh packed, uncondensed and never cooked sauce made with secret spices, parmesan cheese and vine-ripened tomatoes.

100% real cheese blended from mozzarella and Muenster, with no soy additives or extenders.

100% real meat toppings, with no additives or extenders – a distinction compared to many pizza concepts.

Vegetable and mushroom toppings that are sliced and delivered fresh, never canned.

An extended product line that includes breadsticks and cheesy stix with dip, pasta, baked sandwiches, salads, wings and a line of breakfast products.

Noble Roman's Take-N-Bake

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

Tuscano's Italian Style Subs

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

Business Strategy

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

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

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

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

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

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

2. Leverage the results of research and development advances.

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

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

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

Business Operations

Distribution

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

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

Franchising

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

The initial franchise fees are as follows:

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

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

Licensing

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

Competition

The restaurant industry 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.

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 4, 2016, the Company employed approximately 21 persons full-time and seven 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 one full-time employee and all seven employed on a part-time manage and work the Company location. No employees are covered under collective bargaining agreements. 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® 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 is subject to licensing and regulation by a number of governmental authorities, which include health, safety, sanitation, building and other agencies and ordinances in the state or municipality in which the facility is located. The process of obtaining and maintaining required licenses or approvals can delay or prevent the opening of a location. Vendors, such as our third-party production and distribution services, are also licensed and subject to regulation by state and local health and fire codes, and U. S. Department of Transportation regulations. The Company, its franchisees, licensees and vendors are also subject to federal and state environmental regulations, 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 December 1991 until October 2014 when he became Executive Chairman and Chief Financial Officer. Mr. Mobley has been a Director and an Officer since 1974. From 1975 to 1987, Mr. Mobley was a significant shareholder and president of a company which owned and operated 17 Arby's franchise restaurants. 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 January 1992, Secretary since February 1993 and Chief Executive Officer since October 2014. Mr. Mobley was Vice President from November 1988 to October 1997 and from August 1987 until November 1988 served as Director of Marketing for the Company. Prior to joining the Company, Mr. Mobley was a strategic planning analyst with a division of Lithonia Lighting Company. Mr. Mobley has a B.S. in Business Administration magna cum laude from Georgetown University and an MBA from Indiana University. He is the son of Paul W. Mobley.

*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.

Executive Vice President of Franchising - Troy Branson* has been Executive Vice President for the Company since November 1997 and from 1992 to 1997, he was Director of Business Development. Before joining the Company, Mr. Branson was an owner of Branson-Yoder Marketing Group from 1987 to 1992, after graduating from Indiana University where he received a B.S. in Business.

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

Vice President of Purchasing, Distribution and Supermarket Logistics - Jeffrey Naaman has been Vice President of Supermarket Procurement and Distribution since February 2016. Before joining the Company, Mr. Naaman was Director of Sales and Marketing for Interstate Cold Storage and Director of Procurement, Produce and Foods with Caito Foods for more than five years. Prior to Caito Foods, Mr. Naaman held various positions with Meijer Supermarkets, Fresh Encounter Supermarkets, Central Grocers Supermarkets, Dawn Foods and SuperValu/Cub Foods Supermarkets. Mr. Naaman attended IUPUI University.

Available Information

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

ITEM 1A. RISK FACTORS

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

Competition from larger companies.

The Company competes for franchise and license sales with large national companies and numerous regional and local companies. Many of its competitors have greater financial and other resources than the Company. The restaurant industry in general is intensely competitive with respect to convenience, price, product quality and service. In addition, the Company competes for franchise and license sales on the basis of several factors, including product engineering and quality, investment cost, cost of sales, distribution, simplicity of operation and labor requirements. Activities of the Company’s competitors could have an adverse effect on the Company’s ability to sell additional franchises or licenses or maintain and renew existing franchises and licenses or operating results of the Company’s system. Unlike the other non-traditional agreements, 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 retail outlets. The opening and success of new locations will depend upon various factors, which include: (1) the traffic generated by and viability of the underlying activity or business in non-traditional locations; (2) the ability of the 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 take-n-bake locations.

Dependence on success of franchisees and licensees.

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

Interruptions in supply or delivery of food products.

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

Dependence on key executives.

The Company's business has been and will continue to be dependent upon the efforts and abilities of its executive staff generally, and particularly Paul Mobley, our 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 location is subject to licensing and regulation by a number of governmental authorities, which include health, safety, sanitation, building and other agencies and ordinances in the state or municipality in which the facility is located. The process of obtaining and maintaining required licenses or approvals can delay or prevent the opening of a franchise location. Vendors, such as the Company's third-party production and distribution services, are also licensed and subject to regulation by state and local health and fire codes, and U. S. Department of Transportation regulations. The Company, its franchisees and its vendors are also subject to federal and state environmental regulations.

Obligations under loans.

The Company recently entered into an amendment of the Bank loan.

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 a Company-owned restaurant in Indianapolis, Indiana which is used as a demonstration and test restaurant. The lease for this property expires December 31, 2020.

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 "NRDM".

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:	2014		2015	
	High	Low	High	Low
March 31	\$2.24	\$1.39	\$2.47	\$1.97
June 30	\$1.65	\$1.18	\$2.38	\$1.85
September 30	\$1.76	\$1.50	\$2.00	\$1.34
December 31	\$2.22	\$1.58	\$1.55	\$0.94

Holders of Record

As of March 4, 2016, there were approximately 265 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

None.

Repurchases of Equity Securities

None.

Equity Compensation Plan Information

The following table provides information as of December 31, 2015 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	2,637,667	\$ 1.22	(1)
Total	2,637,667	\$ 1.22	(1)

(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)

Statement of Operations Data:	2011	2012	2013	Year Ended December 31,	
				2014	2015
Royalties and fees	\$6,814	\$6,824	\$7,083	\$7,479	\$7,465
Administrative fees and other	44	20	24	73	56
Restaurant revenue	518	456	421	363	208
Total revenue	7,376	7,300	7,528	7,915	7,729
Operating expenses	2,202	2,348	2,527	2,716	2,774
Restaurant operating expenses	508	427	391	402	248
Depreciation and amortization	124	116	114	112	106
General and administrative	1,620	1,594	1,647	1,646	1,660
Operating income	2,922	2,815	2,849	3,039	2,941
Interest	390	413	201	190	187
Loss on restaurant discontinued	-	-	-	-	191
	-	500	1,208	-	1,230

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Adjust valuation of receivables - including
the Heyser case

Income before income taxes from continuing operations	2,532	1,902	1,440	2,849	1,333
Income taxes	1,003	753	569	1,105	512
Net income from continuing operations	1,529	1,149	871	1,744	821
Loss from discontinued operations	(710)	(525)	(780)	(154)	(35)
Net income	\$819	\$624	\$91	\$1,590	\$786
Cumulative preferred dividends	99	99	99	-	-
Net income (loss) available to common stockholders	\$720	\$525	\$ (8)	\$1,590	\$786
Weighted average number of common shares	19,458	19,498	19,533	19,871	20,518
Net income per share from continuing operations	\$.08	\$.06	\$.05	\$.09	\$.04
Net income per share	.04	.03	.01	.08	.04
Net income per share available to common stockholders	\$.04	\$.03	\$-	\$.08	\$.04
Balance Sheet Data:					
Working capital (deficit)	2011	2012	2013	2014	2015
	\$(852)	\$1,964	\$1,451	\$2,267	\$2,805
Total assets	17,224	17,161	16,374	17,758	18,465
Long-term obligations, net of current portion	1,256	3,021	2,635	1,847	2,141
Stockholders' equity	\$11,728	\$12,379	\$11,703	\$13,766	\$14,875

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” 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.

There were 2,215 franchised or licensed outlets in operation on December 31, 2014 and 2,562 on December 31, 2015. During the 12-month period ended December 31, 2015, 404 new franchised or licensed outlets opened and 57 franchised outlets left the system. Grocery stores are accustomed to adding products for a period of time, removing them for a period of time and possibly re-offering them. Therefore, it is unknown how many grocery store licenses have left the system.

As discussed in Note 1 of the notes to the Company’s consolidated financial statements, the Company uses significant estimates in evaluating such items as notes and accounts receivable to reflect the actual amount expected to be collected for total receivables. At December 31, 2014 and 2015, the Company reported net accounts receivable of \$3.57 million and \$5.09 million, respectively, each of which were net of allowances. The allowance at December 31, 2015 was \$1.17 million 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, 2014 and December 31, 2015, had a deferred tax asset on its balance sheet totaling \$9.574 million and \$9.084 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 2033.

Financial Summary

The preparation of the consolidated financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates. The Company evaluates the carrying values of its assets, including property, equipment and related costs, accounts receivable and deferred tax asset, periodically to assess whether any impairment indications are present due to (among other factors) recurring operating losses, significant adverse legal developments, competition, changes in demand for the Company’s products or changes in the business climate that affect the recovery of recorded values. If any impairment of an individual asset is evident, a charge will be provided to reduce the carrying value to its estimated fair value.

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Noble Roman's, Inc. and Subsidiaries

Condensed Consolidated Statement of Operations Data

Years Ended December 31,

	2013			2014			2015		
Royalties and fees	\$ 7,082,548	94.1	%	\$ 7,479,334	94.5	%	\$ 7,464,963	96.6	%
Administrative fees and other	24,138	0.3		72,541	0.9		56,520	0.7	
Restaurant revenue	420,753	5.6		363,340	4.6		207,803	2.7	
Total revenue	7,527,439	100.0		7,915,215	100.0		7,729,286	100.0	
Franchise-related operating expenses:									
Salaries and wages	1,056,790	14.0		1,063,076	13.4		1,141,562	14.8	
Trade show expense	514,570	6.8		541,385	6.8		543,354	7.0	
Travel expense	207,572	2.8		235,127	3.0		255,125	3.3	
Other operating expense	747,914	9.9		876,162	11.1		834,320	10.8	
Restaurant expenses	390,507	5.2		402,281	5.1		248,139	3.2	
Depreciation	113,607	1.5		111,750	1.4		105,843	1.4	
General and administrative	1,646,993	21.9		1,646,502	20.8		1,659,966	21.5	
Total Expenses	4,677,953	62.1		4,876,283	61.6		4,788,309	62.0	
Operating income	2,849,486	37.9		3,038,932	38.4		2,940,977	38.0	
Interest	201,381	2.7		190,382	2.4		186,414	2.4	
Loss on restaurant discontinued	-	-		-	-		191,390	2.5	
Adjust valuation of receivables – including the Heyser Case	1,208,162	16.0		-	-		1,230,000	15.9	
Income before income taxes	1,439,943	19.2		2,848,550	36.0		1,333,173	17.2	
Income taxes	568,406	7.6		1,104,809	14.0		512,671	6.6	
Net income from continuing operations	\$ 871,537	11.6	%	\$ 1,743,741	22.0	%	\$ 820,502	10.6	%

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	Quarters Ended December 31,				
	2014		2015		
Royalties and fees	\$1,708,334	94.5	% \$1,817,673	96.3	%
Administrative fees and other	15,359	0.9	11,342	0.6	
Restaurant revenue	83,629	4.6	59,040	3.1	
Total revenue	1,807,322	100.0	1,888,055	100.0	
Franchise-related operating expenses:					
Salaries and wages	273,547	15.1	281,716	14.9	
Trade show expense	140,540	7.8	137,753	7.3	
Travel expense	64,326	3.6	83,427	4.4	
Other operating expense	232,224	12.8	230,105	12.2	
Restaurant expenses	100,628	5.6	62,833	3.4	
Depreciation	28,286	1.6	26,780	1.4	
General and administrative	417,578	23.1	431,355	22.9	
Total Expenses	1,257,129	69.6	1,253,969	66.5	
Operating income	550,193	30.4	634,086	33.5	
Interest	49,517	2.7	47,774	2.5	
Loss on restaurant discontinued	-	-	191,390	10.1	
Adjust valuation of receivables – including the Heyser Case	-	-	380,000	20.1	
Income before income taxes	500,676	27.7	14,923	0.8	
Income taxes	198,061	10.9	5,738	0.3	
Net income from continuing operations	\$302,615	16.8	% 9,184	0.5	%

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, franchise fees and equipment commissions (“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 \$1.66 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 \$4.79 million and \$1.25 million for the year and three-month periods ended December 31, 2015 and \$4.88 million and \$1.26 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 \$2.94 million and \$634,000 for the year and three-month periods ended December 31, 2015 and \$3.04 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 2014 and none in 2013. 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, 2015 included 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 will not pay any income tax on approximately the next \$21.4 million in net income before income taxes 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.

2014 Compared to 2013

Total revenue for the year 2014 increased to \$7.9 million from \$7.5 million in 2013. For the three months ended December 31, 2014, total revenue increased to \$1.8 million from \$1.7 million for the comparable period in 2013. For the year 2014, Upfront Fees decreased to \$392,000 from \$883,000 for 2013. For the three-month period ended December 31, 2014, Upfront Fees decreased to \$74,000 from \$147,000 for the comparable period in 2013. Royalties and fees, less Upfront Fees, increased to \$7.1 million for 2014 from \$6.2 million in 2013, or a 14% increase. For the three-month period ended December 31, 2014, royalties and fees less Upfront Fees increased to \$1.6 million from \$1.5 million for the comparable period in 2013, or a 7% increase. The breakdown of royalties and fees less Upfront Fees for year 2014 and for the three months ended December 31, 2014 compared to the comparable periods in 2013, respectively, were: royalties and fees from non-traditional franchises other than grocery stores were \$4.5 million and \$993,000 and \$4.3 million and \$1.0 million; royalties and fees from the grocery store take-n-bake were \$1.5 million and \$340,000 and \$1.3 million and \$257,000; royalties and fees from stand-alone take-n-bake franchises were \$849,000 and \$234,000 and \$310,000 and \$146,000; royalties and fees from traditional locations were \$283,000 and \$67,000 and \$313,000 and \$74,000. The decline in Upfront Fees was the result of selling fewer franchises for the Company's stand alone take-n- bake franchises. The growth in the royalties and fees from grocery store take-n-bake locations primarily was the result of adding new packaging and new products.

Restaurant revenue for 2014 decreased to \$363,000 from \$421,000 in 2013. For the three-month period ended December 31, 2014, restaurant revenue increased to \$84,000 from \$83,000 for the comparable period in 2013. The Company only operated two locations used primarily for testing and demonstration purposes.

As a percentage of total revenue, salaries and wages for 2014 decreased to 13.4% from 14.0% in 2013. For the three-month period ended December 31, 2014, salaries and wages decreased to 15.1% from 16.1% for the comparable period in 2013. Salaries and wages remained approximately the same at \$1.1 million for both 2014 and 2013. For the three-month period ended December 31, 2014, salaries and wages decreased to \$274,000 from \$276,000 for the comparable period in 2013.

As a percentage of total revenue, trade show expenses for 2014 remained the same as 2013 at 6.8%. For the three-month period ended December 31, 2014, trade show expenses increased to 7.8% from 7.2% for the comparable period in 2013. Trade show expenses were \$541,000 and \$141,000, respectively, for the year and three-month period ended December 31, 2014 compared to \$515,000 and \$124,000, respectively, for the comparable periods in 2013.

As a percentage of total revenue, travel expenses for 2014 increased to 3.0% from 2.8% in 2013. For the three month period ended December 31, 2014 travel expense increased to 3.6% from 3.1% for the comparable period in 2013. Travel expense were \$235,000 and \$64,000, respectively, for the year and three-month period ended December 31, 2014 and \$208,000 and \$54,000, respectively, for the comparable periods in 2013.

As a percentage of total revenue, other operating expenses for 2014 increased to 11.1% compared to 9.9% in 2013. For the three-month period ended December 31, 2014, other operating expenses increased to 12.8% from 11.0% for the comparable period in 2013. The primary reasons for the increased other operating expenses were an increase in group insurance, general insurance and advertising costs while all other operating expenses decreased.

As a percentage of total revenue, restaurant expenses in 2014 decreased to 5.1% from 5.2% in 2013. For the three-month period ended December 31, 2014, restaurant expenses increased to 5.6% from 5.0% for the comparable period in 2013. The Company only operates two restaurants which it uses for demonstration, training and testing purposes.

As a percentage of total revenue, general and administrative expenses for 2014 decreased to 20.8% from 21.9% in 2013. For the three-month period ended December 31, 2014, general and administrative expenses decreased to 23.1% from 24.0% for the comparable period in 2013. The decrease in general and administrative expenses, as a percentage of total revenue, was the result of revenue increases.

As a percentage of total revenue, total expenses for 2014 decreased to 61.6% from 62.1% in 2013. For the three-month period ended December 31, 2014, total expenses increased to 69.6% from 68.1% for the comparable period in 2013. The decrease for the year was the result of increased revenue partially offset by an increase in the amount of expenses.

As a percentage of total revenue, operating income for 2014 increased to 38.4% from 37.9% in 2013. For the three-month period ended December 31, 2014, operating income decreased to 30.4% from 31.9% for the comparable period in 2013. The increase for the year was a result of the success of the Company's strategies to increase revenue while maintaining relatively stable operating expenses.

Interest expense, as a percentage of total revenue, for 2014 decreased to 2.4% from 2.7% in 2013. For the three-month period ended December 31, 2014, interest expense decreased to 2.7% from 3.0% for the comparable period in 2013. Actual interest expense decreased to \$190,000 and \$50,000, respectively, for the year and three month period ended December 31, 2014 compared to \$201,000 and \$51,000, respectively, for the comparable periods in 2013. The primary reason for the decrease in interest expense was the continued amortization of the principal balance of notes payable.

Net income before income taxes from continuing operations for 2014 increased to \$2.8 million from \$1.4 million in 2013; however, 2013 included a valuation allowance of \$1.2 million related to the Heyser case. For the three-month period ended December 31, 2014, net income before income taxes from continuing operations was \$501,000 compared to a loss of \$712,000 for the comparable period in 2013. Although income tax expense is reflected on the Condensed Consolidated Statement of Operations, the Company did not pay any income tax on its net income before income taxes due to its net operating loss carry-forwards.

Loss on discontinued operations decreased to \$153,000 in 2014 compared to \$780,000 in 2013. This decrease was the result of resolution of issues related to the discontinued operations in 1999 and 2008.

Net income for 2014 increased to \$1.6 million from \$91,000 in 2013. The increase in net income was a result of the Company's strategies to increase revenue while maintaining total expenses relatively stable. In addition, the Company's net income in 2013 was reduced by the recording of a valuation allowance related to the Heyser case with an after-tax effect of \$730,000.

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 cost of a pizza. Cheese prices increased in 2013. They reached an all-time record high in April 2014 and maintained at historically high prices until mid-September 2014. They have since decreased until they are approximately 10% below the ten-year average price. The Company's business was affected by the increased cost of meats during 2014. Labor cost has remained relatively constant in the past two years. We believe any labor cost increase in the future for our franchisees will be mitigated by the relatively low labor requirements of the Company's franchise concepts.

Liquidity and Capital Resources

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

The Company's current ratio was 2.9-to-1 as of December 31, 2015 compared to 2.1-to-1 as of December 31, 2014.

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

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

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

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

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

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

The Company does not anticipate that any of the recently issued Statement of Financial Accounting Standards will have a material impact on its Statement of Operations or its Balance Sheet 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 and early adoption is permitted.

On February 25, 2016, the FASB issued ASU 2016-02, its highly-anticipated 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.

Contractual Obligations

The following table sets forth the contractual obligations of the Company as of December 31, 2015:

	Total	Less than 1 Year	1-3 Years	3-5 Years
Long-term debt (1)	\$2,742,535	\$601,081	\$2,141,454	\$-
Operating leases	499,759	206,290	245,183	48,286
Total	\$3,242,294	\$807,371	\$2,386,637	\$48,286

(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, the ability to refinance its debt in 2017, non-renewal of franchise agreements, shifts in market demand, the success of new franchise programs, including stand-alone take-n-bake locations, general economic conditions, changes in demand for the Company's products or franchises, the impact of franchise regulation, the success or failure of individual franchisees and changes in prices or supplies of food ingredients and labor as well as the factors discussed under "Risk Factors" 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, 2015, the Company had outstanding variable interest-bearing debt in the aggregate principal amount of \$2.0 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 \$16,900 over the succeeding 12-month period.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

	December 31,	
	2014	2015
Assets		
Current assets:		
Cash	\$ 200,349	\$ 194,021
Accounts receivable - net	1,687,954	2,007,751
Inventories	381,400	492,222
Prepaid expenses	467,721	634,016
Deferred tax asset - current portion	1,675,000	925,000
Total current assets	4,412,424	4,253,010
Property and equipment:		
Equipment	1,383,380	1,376,190
Leasehold improvements	88,718	88,718
	1,472,098	1,464,908
Less accumulated depreciation and amortization	1,041,951	1,092,785
Net property and equipment	430,147	372,123
Deferred tax asset (net of current portion)	7,899,497	8,158,523
Other assets including long-term portion of accounts receivable - net	5,015,931	5,681,272
Total assets	\$ 17,757,999	\$ 18,464,928
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term notes payable to bank	\$ 1,469,028	\$ 601,081
Accounts payable and accrued expenses	676,386	847,418
Total current liabilities	2,145,414	1,448,499
Long-term obligations:		
Notes payable to bank (net of current portion)	1,846,736	1,366,454
Notes payable to officers	-	175,000
Note payable to Kingsway America	-	600,000
Total long-term liabilities	1,846,736	2,141,454
Stockholders' equity:		
Common stock – no par value (25,000,000 shares authorized, 20,095,087 issued and outstanding as of December 31, 2014 and 20,775,921 issued and outstanding as of December 31, 2015)	23,970,654	24,294,002
Accumulated deficit	(10,204,805)	(9,419,027)
Total stockholders' equity	13,765,849	14,874,975
Total liabilities and stockholders' equity	\$ 17,757,999	\$ 18,464,928

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2013	2014	2015
Royalties and fees	\$ 7,082,548	\$ 7,479,334	\$ 7,464,963
Administrative fees and other	24,138	72,541	56,520
Restaurant revenue	420,753	363,340	207,803
Total revenue	7,527,439	7,915,215	7,729,286
Operating expenses:			
Salaries and wages	1,056,790	1,063,076	1,141,562
Trade show expense	514,570	541,385	543,354
Travel expense	207,572	235,127	255,125
Other operating expenses	747,914	876,162	834,320
Restaurant expenses	390,507	402,281	248,139
Depreciation and amortization	113,607	111,750	105,843
General and administrative	1,646,993	1,646,502	1,659,966
Total expenses	4,677,953	4,876,283	4,788,309
Operating income	2,849,486	3,038,932	2,940,977
Interest	201,381	190,382	186,414
Loss on restaurant discontinued	-	-	191,390
Adjust valuation of receivables - including Heyser case	1,208,162	-	1,230,000
Income before income taxes from continuing operations	1,439,943	2,848,550	1,333,173
Income tax expense	568,406	1,104,809	512,671
Net income from continuing operations	871,537	1,743,741	820,502
Loss from discontinued operations net of tax benefit of \$511,893 for 2013, \$97,284 for 2014 and \$21,697 for 2015	(780,440)	(153,545)	(34,724)
Net income	91,097	1,590,196	785,778
Cumulative preferred dividends	99,000	-	-
Net income (loss) available to common stockholders	\$ (7,903)	\$ 1,590,196	\$ 785,778
Earnings per share - basic:			
Net income from continuing operations	\$.05	\$.09	\$.04
Net loss from discontinued operations net of tax benefit	\$ (.04)	\$ (.01)	\$ (.00)
Net income	\$.01	\$.08	\$.04
Net income available to common stockholders	\$ -	\$.08	\$.04
Weighted average number of common shares outstanding	19,533,201	19,870,904	20,517,846
Diluted earnings per share:			
Net income from continuing operations	\$.05	\$.08	\$.04
Net loss from discontinued operations net of tax benefit	\$ (.04)	\$ (.01)	\$ (.00)

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Net income	\$.01	\$.07	\$.04
Weighted average number of common shares outstanding	20,472,908	21,204,439	21,439,242

See accompanying notes to consolidated financial statements.

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

	Preferred Stock	Common Stock Shares	Amount	Accumulated Deficit	Total
Balance at December 31, 2012	\$800,250	19,516,589	\$23,366,058	\$(11,787,098)	\$12,379,210
2013 net income				91,097	91,097
Cumulative preferred dividends				(99,000)	(99,000)
Amortization of value of stock options			117,118		117,118
Redeemed preferred stock	(800,250)				(800,250)
Issurance cost of preferred stock			(24,750)		(24,750)
Exercise of employee stock options		68,500	39,975		39,975
Balance at December 31, 2013	\$-	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
Balance at December 31, 2014	\$-	20,095,087	\$23,970,654	\$(10,204,805)	\$13,765,849
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
Balance at December 31, 2015	\$-	20,775,921	\$24,294,002	\$(9,419,027)	\$14,874,975

See accompanying notes to consolidated financial statements..

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

	Year ended December 31,		
	2013	2014	2015
OPERATING ACTIVITIES			
Net income	\$91,097	\$1,590,196	\$785,778
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	174,241	128,265	98,826
Deferred income taxes	568,406	1,007,526	490,974
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(188,425)	(419,166)	(319,797)
Inventories	123,018	(43,578)	(110,822)
Prepaid expenses	(92,397)	4,344	(166,295)
Other assets including long-term portion of accounts receivable	738,029	(1,861,460)	(665,341)
Increase in:			
Accounts payable and accrued expenses	308,093	263,622	322,453
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,722,062	669,749	435,776
INVESTING ACTIVITIES			
Purchase of property and equipment	(11,958)	(22,176)	(13,840)
NET CASH USED BY INVESTING ACTIVITIES	(11,958)	(22,176)	(13,840)
FINANCING ACTIVITIES			
Payment of cumulative preferred dividends	(99,000)	-	-
Payment of principal outstanding on bank loan	(1,244,375)	(1,235,694)	(1,348,229)
Redemption of all preferred stock outstanding	(825,000)	-	-
Proceeds from new bank loan net of closing costs	821,454	697,704	-
Proceeds from new Kingsway America loan	-	-	600,000
Proceeds from officers loans	-	-	175,000
Proceeds from the exercise of stock options	39,975	105,230	201,386
NET CASH USED BY FINANCING ACTIVITIES	(1,306,946)	(432,760)	(371,843)
DISCONTINUED OPERATIONS			
Payment of obligations from discontinued operations	(389,725)	(172,251)	(56,421)
Increase (decrease) in cash	13,433	42,562	(6,328)
Cash at beginning of year	144,354	157,787	200,349
Cash at end of year	\$157,787	\$200,349	\$194,021

Supplemental Schedule of Non-Cash Investing and Financing Activities:

In 2014, options to purchase 215,000 shares at \$.36, 20,000 shares at \$.83 and 40,000 shares at \$.95 were exercised pursuant to the cashless exercise provision of the options and the holders received a total of 214,998 shares of common stock. Also in 2014, the Company issued 180,000 shares of common stock in exchange for \$318,000 in payables.

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 provision 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.

See accompanying notes to consolidated financial statements.

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

Note I: 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 Take-N-Pizza". Unless the context otherwise indicates, reference to the "Company" are to Noble Roman's, Inc. and its wholly-owned subsidiaries.

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

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

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

Cash and Cash Equivalents: Includes actual cash balance. 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 ("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.

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.

Intangible Assets: Debt issue costs are amortized to interest expense ratably over the term of the applicable debt. The debt issue cost being amortized is \$163,727 with accumulated amortization at December 31, 2015 of \$125,503.

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 restaurant are substantially completed.

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

Income Taxes: The Company provides for current and deferred income tax liabilities and assets utilizing an asset and liability approach along with a valuation allowance as appropriate. The Company concluded that no valuation allowance was necessary because it is more likely than not that the Company will earn sufficient income before the expiration of its net operating loss carry-forwards to fully realize the value of the recorded deferred tax asset. As of December 31, 2015, the net operating loss carry-forward was approximately \$21.4 million which expires between the years 2019 and 2033. 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, 2013, 2014 and 2015. The Company’s federal and various state income tax returns for 2012 through 2015 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, 2013:

	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net income	\$ 91,097		
Less preferred stock dividends	(99,000)		
Earnings per share – basic			
Loss available to common stockholders	(7,903)	19,533,201	\$-
Effect of dilutive securities		(939,707)	
Options			
Convertible preferred stock	99,000	-	
Diluted earnings per share			
Income available to common stockholders and assumed conversions	\$ 91,097	20,472,908	\$.01

The following table sets forth the calculation of basic and diluted earnings per share for the year ended December 31, 2014:

Income (Numerator)	Shares (Denomina	Per Share
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