NOBLE ROMANS INC
Form 10-Q
August 14, 2017

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2017

Commission file number: 0-11104

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

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

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

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

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

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

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

Large Accelerated Filer __	Accelerated Filer __
Non-Accelerated Filer __ (do not check if smaller reporting company)	Smaller Reporting Company X
Emerging Growth Company __	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ____

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

As of August 8, 2017, there were 20,783,032 shares of Common Stock, no par value, outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

The following unaudited condensed consolidated financial statements are included herein:

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

Assets	December 31, 2016	June 30, 2017
Current assets:		
Cash	$477,928	$223,192
Accounts receivable - net	1,828,534	2,191,043
Inventories	754,418	744,233
Prepaid expenses	568,386	765,108
Deferred tax asset - current portion	925,000	-
Total current assets	4,554,266	3,923,576
Property and equipment:		
Equipment	1,963,957	2,238,470
Leasehold improvements	88,718	271,697
Construction and equipment in progress	351,533	-
	2,404,208	2,510,167
Less accumulated depreciation and amortization	1,194,888	1,280,116
Net property and equipment	1,209,320	1,230,051
Deferred tax asset (net of current portion)	8,696,870	9,329,392
Goodwill	278,466	278,466
Other assets including long-term portion of receivables - net	5,159,937	5,740,129
Total assets	$19,898,859	$20,501,614
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of term loan payable to bank	$655,725	$1,038,591
Current portion of loan payable to Super G	1,130,765	1,483,270
Accounts payable and accrued expenses	339,125	354,010
Total current liabilities	2,125,615	2,875,871
Long-term obligations:		
Term loan payable to bank (net of current portion)	710,729	-
Loan payable to Super G (net of current portion)	718,175	-
Notes payable to officers	310,000	910,000
Notes payable to Kingsway America	600,000	-
Convertible notes payable	769,835	956,427
Derivative warrant liability	210,404	344,178
Derivative conversion liability	435,671	613,224
Total long-term liabilities	3,754,814	2,823,829
Stockholders' equity:		
Common stock – no par value (40,000,000 shares authorized, 20,783,032	24,308,297	24,318,165

issued and outstanding as of December 31, 2016 and June 30, 2017)		
Accumulated deficit	(10,289,867)	(9,516,251)
Total stockholders' equity	14,018,430	14,801,914
Total liabilities and stockholders’ equity	$19,898,859	$20,501,614

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

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

	Three-Months Ended June 30,		Six-Months Ended June 30,	
	2016	2017	2016	2017
Revenue:				
Royalties and fees	$1,874,235	$1,715,674	$3,590,546	$3,328,594
Administrative fees and other	10,635	11,871	21,709	23,941
Restaurant revenue - Craft Pizza & Pub	-	459,907	-	766,217
Restaurant revenue - non-traditional	55,554	279,034	107,047	560,352
Total revenue	1,940,424	2,466,486	3,719,302	4,679,104
Operating expenses:				
Salaries and wages	232,601	242,187	483,909	481,894
Trade show expense	130,441	123,456	258,877	245,112
Travel expense	34,407	48,134	95,674	108,428
Broker commissions	21,821	-	21,821	-
Other operating expenses	179,971	229,044	375,284	427,734
Restaurant expenses - Craft Pizza & Pub	-	341,971	-	555,117
Restaurant expenses - non-traditional	44,173	275,023	89,905	548,396
Depreciation and amortization	31,675	59,870	61,087	111,763
General and administrative	384,666	407,615	790,475	812,087
Total expenses	1,059,755	1,727,300	2,177,032	3,290,531
Operating income	880,669	739,186	1,542,270	1,388,573
Interest	82,735	298,759	137,941	619,753
Loss on restaurant discontinued	-	-	36,776	-
Adjust valuation of receivables	750,659	-	750,659	-
Change in fair value of derivatives	-	(314,900)	-	(297,273)
Income before income taxes	47,275	755,327	616,894	1,066,093
Income tax expense	15,877	174,255	235,699	292,477
Net income	$31,398	$581,072	$381,195	$773,616
Earnings per share – basic:				
Net income	$.00	$.03	$.02	$.04
Weighted average number of common shares outstanding	20,483,091	20,783,032	20,780,727	20,783,032
Diluted earnings per share:				
Net income	$.00	$.02	$.02	$.03
Weighted average number of common shares outstanding	20,974,419	25,774,314	20,972,114	25,569,895

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

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

	Common Stock		Accumulated	
	Shares	Amount	Deficit	Total
Balance at December 31, 2016	20,783,032	$24,308,297	$(10,289,867)	$14,018,430
Net income for six months ended June 30, 2017	-	-	773,616	773,616
Amortization of value of employee stock options	-	9,868	-	9,868
Balance at June 30, 2017	20,783,032	$24,318,165	$(9,516,251)	$14,801,914

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

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

	Six Months Ended June 30,	
OPERATING ACTIVITIES	2016	2017
Net income	$381,195	$773,616
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	37,466	262,540
Deferred income taxes	163,824	292,477
Non-cash expenses	-	24,526
Change in fair value of derivative	-	(297,273)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(215,090)	(362,509)
Inventories	(147,928)	10,185
Prepaid expenses	(197,139)	(93,013)
Other assets	(674,176)	(580,190)
Increase (decrease) in:		
Accounts payable and accrued expenses	(588,392)	152,396
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,240,240)	182,755
INVESTING ACTIVITIES		
Purchase of property and equipment	(5,354)	(209,194)
NET CASH USED IN INVESTING ACTIVITIES	(5,354)	(209,194)
FINANCING ACTIVITIES		
Payment of principal on bank term loans	(273,219)	(327,863)
Payment of principal on Super G Funding, LLC loan	(29,000)	(415,670)
Payment of Kingsway America loan	-	(600,000)
Proceeds from Super G Funding, LLC	1,902,917	-
Proceeds from officers loan	135,000	600,000
Proceeds from convertible notes payable	-	652,746
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,735,698	(90,787)
DISCONTINUED OPERATIONS		
Payment of obligations from discontinued operations	(58,603)	(137,510)
Increase (decrease) in cash	431,501	(254,736)
Cash at beginning of period	194,021	477,928
Cash at end of period	$625,522	$223,192

Supplemental schedule of investing and financing activities

Cash paid for interest	$129,013	$416,254

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

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 - The accompanying unaudited interim condensed consolidated financial statements, included herein, have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated statements have been prepared in accordance with the Company's accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 and should be read in conjunction with the audited consolidated financial statements and the notes thereto included in that report. Unless the context indicates otherwise, references to the "Company" mean Noble Roman's, Inc. and its subsidiaries.

In the opinion of the management of the Company, the information contained herein reflects all adjustments necessary for a fair presentation of the results of operations and cash flows for the interim periods presented and the financial condition as of the dates indicated, which adjustments are of a normal recurring nature. The results for the three-month and six-month periods ended June 30, 2017, respectively, are not necessarily indicative of the results to be expected for the full year ending December 31, 2017.

Note 2 – Royalties and fees include initial franchise fees of $77,000 and $128,000 for the three-month and six-month periods ended June 30, 2016, and $66,000 and $122,000 for the three-month and six-month periods ended June 30, 2017, respectively. Royalties and fees included equipment commissions of $6,000 and $10,000 for the three-month and six-month periods ended June 30, 2016, and $10,000 and $18,000 for the three-month and six-month periods ended June 30, 2017, respectively. Royalties and fees including interest per franchise agreements, less initial franchise fees and equipment commissions, were $1.8 million and $3.5 million for the respective three-month and six-month periods ended June 30, 2016, and $1.6 million and $3.2 million for the respective three-month and six-month periods ended June 30, 2017. Most of the cost for the services required to be performed by the Company are incurred prior to the franchise fee income being recorded, which is based on a contractual liability of the franchisee.

There were 2,768 franchises/licenses in operation on December 31, 2016 and 2,811 franchises/licenses in operation on June 30, 2017. During the six-month period ended June 30, 2017, there were 64 new outlets opened and 21 outlets closed. In the ordinary course, grocery stores from time to time add our licensed products, remove them and may subsequently re-offer them. Therefore, it is unknown how many licensed grocery store units included in the count above have left the system.

Note 3 - The following table sets forth the calculation of basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2016:

Three Months Ended June 30, 2016

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income	$31,398	20,783,032	$.00
Effect of dilutive securities			
Options	-	191,387	-
Diluted earnings per share			
Net income per share with assumed conversions	$31,398	20,974,419	$.00

Six Months Ended June 30, 2016

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income	$381,195	20,780,727	$.02
Effect of dilutive securities			
Options	-	191,387	-
Diluted earnings per share			
Net income	$381,195	20,972,114	$.02

The following table sets forth the calculation of basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2017:

Three Months Ended June 30, 2017

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income	$581,072	20,783,032	$.03
Effect of dilutive securities			
Options and warrants	-	191,282	-
Convertible notes	37,174	4,800,000	
Dilutive earnings per share			
Net income	$618,246	25,774,314	$.02

Six Months Ended June 30, 2017

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income	$773,616	20,783,032	$.04
Effect of dilutive securities			
Options and warrants	-	191,282	
Convertible notes	71,303	4,595,580	-
Dilutive earnings per share			
Net income	$844,919	25,569,895	$.03

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Note 4 - . 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 non-current amounts in a classified balance sheet. Rather, deferred taxes are now presented as non-current under the new standard. In the balance sheet as of December 31, 2016, under the previous guidance, $925,000 of the deferred tax asset was shown in current assets and with the current guidance, the deferred tax asset is all presented as non-current.

Note 5 - 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.

As described in Note 3 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, in 2016 and the first quarter of 2017, the Company conducted a private placement (the "Offering") of Units with each Unit consisting of a convertible promissory note (collectively, the "Notes") and a warrant to purchase shares of the Company's common stock (collectively, the "Warrants") for which Divine Capital Markets, LLC served as the placement agent (the "Placement Agent"). The Company issued in the Offering 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 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 first quarter of 2017 is as follows:

Gross Proceeds from additional convertible notes	$800,000
Placement Agent Fees	104,000
Fair Value of Warrants	106,363
Fair Value of Conversion Features	447,586
Fair Value of Placement Agent Warrants	54,650
Net Amount Allocable to Notes	87,401

At June 30, 2017, the balance of the Notes is comprised of:

Face Value	$2,400,000
Unamortized OID	1,443,573
Carrying Value	956,427

To measure the fair value of derivative instruments, the Company utilizes Monte Carlo models that value a warrant issued to Kingsway America, Inc. (the "Kingsway Warrant"), the embedded conversion feature in the Notes (the "Conversion Feature"), the Warrants and the warrants issued to the Placement Agent (the "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 quarter ended June 30, 2017:

	Kingsway Warrant	Conversion Feature	Warrants	Placement Agent Warrants	Total
Balance December 31, 2016	$68,335	$435,672	$93,387	$48,684	$646,078
Issuance During First Quarter	-	447,586	106,363	54,650	608,599
Change in Fair Value of Derivative Liabilities	83,655	(270,034)	(74,143)	(36,751)	(297,273)
Balance - June 30, 2017	$151,990	$613,224	$125,607	$66,583	$957,404

Note 6 - The Company evaluated subsequent events through the date the financial statements were issued and filed with SEC. Since June 30, 2017, the Company has entered into two new 10-year leases with certain options to renew for two additional Craft Pizza & Pub locations. There were no subsequent events that required recognition or disclosure beyond what is disclosed in this report.

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

General Information

Noble Roman's, Inc., an Indiana corporation incorporated in 1972 with 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" with the first location opening on January 31, 2017. The Company recently signed leases for two additional locations. 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 plans to franchise the Noble Roman's Craft Pizza & Pub concept while maintaining its efforts on franchising and licensing non-traditional locations. Pizzaco, Inc. currently owns and operates two Company non-traditional locations, RH Roanoke, Inc. operates a Company non-traditional location and Noble Roman's, Inc. owns and operates a Craft Pizza & Pub location. The Company intends to add three more such locations and to use those 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 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. 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 three additional locations, followed by an aggressive plan to promote franchising in concentric circles from those locations.

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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:

Franchise Format	Non-Traditional, Except Hospitals	Hospitals	Walmart	Craft Pizza & Pub
Noble Roman's Pizza	$7,500	$10,000	$12,500	$30,000(1)

(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 Company has not yet begun selling any franchises for the Craft Pizza & Pub.

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.

Financial Summary

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

The following table sets forth the percentage relationship to total revenue of the listed items included in Noble Roman's consolidated statements of operations for the three-month periods ended March 31, 2016 and 2017, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2017	2016	2017
Royalties and fees	96.6%	69.6%	96.6%	71.1%
Administrative fees and other	.5	.5	.6	.5
Restaurant revenue – Craft Pizza & Pub	-	18.6	-	16.4
Restaurant revenue – non-traditional	2.9	11.3	2.8	12.0
Total revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Salaries and wages	12.0	9.8	13.0	10.3
Trade show expense	6.7	5.0	7.0	5.2
Broker commissions	1.8	2.0	2.6	2.3
Travel expense	1.1	-	.6	-
Other operating expense	9.3	9.3	10.1	9.1
Restaurant expenses – Craft Pizza & Pub	-	13.9	-	11.9
Restaurant expenses – non-traditional	2.3	11.2	2.4	11.7
Depreciation and amortization	1.6	2.4	1.6	2.4
General and administrative	19.8	16.5	21.3	17.4
Total expenses	54.6	70.1	58.6	70.3
Operating income	45.4	29.9	41.4	29.7
Interest	4.3	12.1	3.7	13.3
Loss on restaurant discontinued	-	-	1.0	-
Adjust valuation of receivables	38.7	-	20.2	-
Change in fair value of derivatives	-	(12.8)	-	(6.4)
Income before income taxes	2.4	30.6	16.5	22.8
Income tax	.8	7.1	6.2	6.3
Net income	1.6%	23.5%	10.3%	16.5%

Results of Operations

Total revenue increased from $1.9 million and $3.7 million to $2.5 million and $4.7 million during the respective three-month and six-month periods ended June 30, 2017 compared to the corresponding periods in 2016. Franchise fees and equipment commissions ("upfront fees") decreased from $83,000 to $76,000 for the three-month period ended June 30, 2017 and increased from $139,000 to $140,000 for the six-month period ended June 30, 2017, compared to the corresponding periods in 2016. Royalties and fees including interest per franchise agreements, less upfront fees, decreased from $1.8 million and $3.5 million to $1.6 million and $3.2 million for the respective three-month and six-month periods ended June 30, 2017, compared to the corresponding periods in 2016. The breakdown of royalties and fees less upfront fees, for the respective three-month and six-month periods ended June 30, 2017 and 2016 were: royalties and fees from non-traditional franchises other than grocery stores, including interest on receivables, were $1.13 million and $2.15 million compared to $1.11 million and $2.11 million; royalties and fees from the grocery store take-n-bake were $429,000 and $891,000 compared to $530,000 and $1.01 million; royalties and fees from stand-alone take-n-bake franchises were $15,000 and $32,000 compared to $88,000 and $211,000; and royalties and fees from traditional locations were $61,000 and $118,000 compared to $60,000 and $120,000.

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

Restaurant revenue – Craft Pizza & Pub, which opened January 31, 2017, was $460,000 and $766,000 for the three-month and six-month periods ended June 30, 2017.

Restaurant revenue – non-traditional increased from $56,000 to $279,000 and from $107,000 to $560,000 for the respective three-month and six-month periods ended June 30, 2017, compared to the corresponding periods in 2016. The reason for the increase was the Company’s acquisition of two non-traditional locations from franchisees in the fourth quarter of 2016. The Company currently operates three non-traditional locations and intends to re-franchise at least two of them once the Company identifies appropriate franchisees.

Salaries and wages decreased from 12.0% to 9.8% of total revenue and from 13.0% to 10.3% of total revenue for the respective three-month and six-month periods ended June 30, 2017, compared to the corresponding periods in 2016. Salaries and wages increased from $233,000 to $242,000 and decreased from $484,000 to $482,000 for the respective three-month and six-month periods ended June 30, 2017, compared to the corresponding periods in 2016.

Trade show expenses decreased from 6.7% to 5.0% of total revenue and from 7.0% to 5.2% of total revenue for the respective three-month and six-month periods ended June 30, 2017, compared to the corresponding periods in 2016. Trade show expense decreased from $130,000 to $123,000 and from $259,000 to $245,000, respectively for the three-month and six-month periods ended June 30, 2017, compared to the corresponding periods in 2016.

Travel expenses increased from 1.8% of total revenue to 2.0% of total revenue for the three-month period ended June 30, 2017 and decreased from 2.6% to 2.3% for the six-month period ended June 30, 2017, both compared to the respective corresponding periods in 2016. Travel expense increased from $34,000 to $48,000 and from $96,000 to $108,000, respectively, for the three-month and six-month periods ended June 30, 2017, compared to the corresponding periods in 2016.

Other operating expenses represented the same percentage of sales for the three-month period ended June 30, 2017, and decreased from 10.1% to 9.1% of total revenue, for the six-month period ended June 30, 2017, both compared to the corresponding periods in 2016. Operating expenses increased from $180,000 to $229,000 and from $375,000 to $428,000, respectively, for the three-month and six-month periods ended June 30, 2017, compared to the corresponding periods in 2016.

Restaurant expenses – Craft Pizza & Pub were $342,000 and $555,000 for the three-month and six-month periods ended June 30, 2017, respectively. This was from the new Craft Pizza & Pub location which opened on January 31, 2017. The Craft Pizza & Pub operating expenses were approximately 72.2% of sales for an operating margin of 27.8%.

Restaurant expenses – non-traditional increased from 2.3% to 11.2% and 2.4% to 11.7% of total revenue for the respective three-month and six-month periods ended June 30, 2017, compared to the corresponding periods in 2016. The reason for the increase was the Company's acquisition of two non-traditional locations from franchisees in the fourth quarter 2016. The Company currently operates three non-traditional locations and intends to re-franchise at least two of them once the Company identifies appropriate franchisees.

Depreciation and amortization increased from 1.6% to 2.4% of total revenue for both the three-month and six-month periods ended June 30, 2017, compared to corresponding periods in 2016. The primary reason for the increase was the new Craft Pizza & Pub location that opened January 31, 2017.

General and administrative expenses decreased from 19.8% to 16.5% and from 21.3% to 17.4% of total revenue for the respective three-month and six-month periods ended June 30, 2017, compared to the corresponding periods in 2016. General and administrative expenses increased from $385,000 to $408,000 and from $790,000 to $812,000, respectively, for the three-month and six-month periods ended June 30, 2017, compared to the comparable periods in 2016.

Total expenses increased from 54.6% to 70.1% and from 58.6% to 70.3% of total revenue for the respective three-month and six-month periods ended June 30 31, 2017, compared to the corresponding periods in 2016. Total expenses increased from $1.1 million to $1.7 million and from $2.2 million to $3.3 million, respectively, for the three-month and six month periods ended June 30, 2017, compared to the corresponding periods in 2016. These increases in expenses were the result of adding the new Craft Pizza & Pub location on January 31, 2017 and acquiring the new non-traditional locations from franchisees in the fourth quarter of 2016.

Operating income decreased from 45.4% to 29.9% and from 41.4% to 29.7% of total revenue for the respective three-month and six-month periods ended June 30, 2017, compared to the corresponding periods in 2016. The operating income decreased as a result of the decrease in revenue from stand-alone take-n-bake of $179,000 and a decrease in take-n-bake revenue from grocery stores of $116,000 which was mostly offset by operating income of $213,000 from the new Craft Pizza & Pub location which opened on January 31, 2017.

Interest expense increased from 4.3% to 12.1% and from 3.7% to 13.3% of total revenue for the respective three-month and six-month periods ended June 30, 2017, compared to the corresponding periods in 2016. Interest expense increased from $83,000 to $299,000 and from $138,000 to $620,000, respectively, for the three-month and six-month periods ended June 30, 2017 compared to the corresponding periods in 2016. The breakdown of interest expense during the six-month period ended June 30, 2017 was interest on the convertible note of $123,000, interest on the bank term loan of $51,000, interest on the Super G loan of $255,000, interest on the Kingsway loan (which has been repaid) of $25,000, interest on loans from officers of $34,000 and non-cash interest from amortizing the value of derivative of $133,000. Total cash interest was $443,000 and non-cash interest expense was $176,000 for the six-month period ended June 30, 2017 .

Net income increased from $31,000 to $581,000 and from $381,000 to $774,000 for the respective three-month and six-month periods ended June 30, 2017, compared to the corresponding periods in 2016. This increase was primarily the result of the $751,000 valuation allowance taken in 2016 and none in 2017 plus the change in value of change in fair value of derivatives of $297,000 partially offset by the increased interest cost.

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 a primary element of 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 opened its first Craft Pizza & Pub on January 31, 2017, plans to open and operate at least three more locations and plans to launch a major franchising effort for the Noble Roman’s Craft Pizza & Pub concept. The Company currently operates three non-traditional locations in addition to the new Craft Pizza &Pub location. Two of the three non-traditional 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 non-traditional locations from franchisees and is in the process of attempting to re-franchise one or both of the two recently acquired non-traditional locations.

The Company’s current ratio was 1.4-to-1 as of June 30, 2017 compared to 2.1-to-1 as of December 31, 2016. The primary reason for this decrease was reclassifying the current portion of deferred tax asset to long-term in accordance with the Financial Accounting Standards Board (the “FASB”) recently issued Accounting Standards Update (“ASU”) 2015-17 as part of its Simplification Initiative. In addition, since the Company’s term loan with its bank matures March 31, 2018 and the Super G loan matures in June 2018, both were moved into current liabilities. The Company is actively pursuing the refinancing all of its existing debt (which is described below) except the convertible notes, and incorporating enough capacity in the refinancing to provide funds for the three planned additional Craft Pizza & Pub Company-owned locations and in the process lower its interest cost and significantly reduce monthly debt service requirement.

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 was 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 Company repaid this loan in January 2017 with the proceeds of a $600,000 loan from Paul W. Mobley, an executive officers of the Company, 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 executive 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 (the "Offering") of convertible notes ("Notes") and warrants ("Warrants") 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 and issued an additional $800,000 in Notes and Warrants to purchase up to an additional 800,000 shares, for 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 and Warrants are described in greater detail in Note 3 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The Company used the net proceeds of the Notes to fund the opening of a Noble Roman's Craft Pizza & Pub restaurant 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. In addition, the Company borrowed $600,000 from Paul Mobley, evidenced by a promissory note at 7% interest which was used to repay the Kingsway America loan of $600,000 at 8% interest which was to mature in July 2017.

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. Following the completion of the Offering, 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 to open and operate three additional Noble Roman’s Craft Pizza & Pub locations, as described above, plus launching an aggressive franchising program for 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:

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.

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, completion of its proposed financing, 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” in our Annual Report on Form 10-K for the year ended December 31, 2016. 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.

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ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

The Company's exposure to interest rate risk relates primarily to its variable-rate debt. As of June 30, 2017, the Company had outstanding variable interest-bearing debt in the aggregate principal amount of $1.0 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 $9,000 over the succeeding 12-month period.

ITEM 4. Controls and Procedures

Based on their evaluation as of the end of the period covered by this report, A. Scott Mobley, the Company's President and Chief Executive Officer, and Paul W. Mobley, the Company's Executive Chairman and Chief Financial Officer, have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are effective. There have been no changes in internal controls over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

The Company is not involved in material litigation against it.

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.

ITEM 6. Exhibits.

(a) Exhibits: See the accompanying Exhibit Index.

SIGNATURES

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

		NOBLE ROMAN'S, INC.
Date: August 14, 2017	By:	/s/ Paul W. Mobley Paul W. Mobley, Executive Chairman, Chief Financial Officer and Principal Accounting Officer (Authorized Officer and Principal Financial Officer)

Index to 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.
3.7	Articles of Amendment of the Articles of Incorporation of the Registrant effective February 7, 2017, filed as Exhibit 3.7 to the Registrant’s Registration Statement on Form S-1 (SEC File No. 33-217442) filed April 25, 2017, 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.

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 Registrant's 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 the Registrant and the shareholder parties, filed as Exhibit 10.1 to Registrant's Form 8-K filed on April 8, 2015, is incorporated herein by reference.
10.1	Promissory Note payable to Kingsway America, Inc., dated July 1, 2015, filed as Exhibit 10.10 to the Registrant's Form 10-Q filed on August 11, 2015, is incorporated herein by reference.
10.11	Third Amendment to Credit Agreement with BMO Harris Bank, N.A. dated January 22, 2016, filed as Exhibit 10.11 to Registrant's Form 10-K filed on March 14, 2016, in incorporated herein by reference.
10.12	Promissory Note payable to BMO Harris Bank, N.A., dated January 22, 2016, filed as Exhibit 10.12 to Registrant's Form 10-K filed on March 14, 2016, in incorporated herein by reference.
10.13	Promissory Note payable to BMO Harris Bank, N.A., dated January 22, 2016, filed as Exhibit 10.13 to Registrant's Form 10-K filed on March 14, 2016, in incorporated herein by reference
10.14	Amended and Restated Promissory Note payable to Paul and Jenny Mobley dated August 10, 2016, filed as Exhibit 10.12 to the Registrant's Form 10-Q filed on August 11, 2016 is incorporated herein by reference.
10.15	Amended and Restated Promissory Note payable to Scott Mobley dated August 10, 2016, filed as Exhibit 10.13 to the Registrant's Form 10-Q filed on August 11, 2016 is incorporated herein by reference.
10.16	Subordination Letter from Paul Mobley dated June 8, 2016, filed as Exhibit 10.15 to the Registrant's Form 10-Q filed on August 11, 2016 is incorporated herein by reference.
10.17	Subordination Letter from A. Scott Mobley dated June 8, 2016, filed as Exhibit 10.16 to the Registrant's Form 10-Q filed on August 11, 2016 is incorporated herein by reference.
10.18	Business Loan and Security Agreement with Super G Funding LLC dated June 10, 2016, filed as Exhibit 10.17 to the Registrant's Form 10-Q filed on August 11, 2016 is incorporated herein by reference.
10.19	Debt and Lien Subordination Agreement between Super G Funding, LLC and BMO Harris Bank, N.A., filed as Exhibit 10.18 to the Registrant's Form 10-Q filed on August 11, 2016 is incorporated herein by reference.
10.20	Form of 10% Convertible Subordinated Unsecured Note, filed as Exhibit 10.16 to the Registrant's Form 10-K filed on March 27, 2017 is incorporated herein by reference.

10.21	Form of Redeemable Common Stock Purchase Class A Warrant, filed as Exhibit 10.21 to the Registrant's Registration Statement on Form S-1 (SEC File No. 33-217442) on April 25, 2017, is incorporated herein by reference.
10.22	Registration Rights Agreement dated October 13, 2016, by and between the Registrant and the investors signatory thereto, filed as Exhibit 10.22 to the Registrant's Registration Statement on Form S-1 (SEC File No. 33-217442) on April 25, 2017, is incorporated herein by reference.
10.23	First Amendment to the Registration Rights Agreement dated February 13, 2017, by and among Registrant and the investors signatory thereto, filed as Exhibit 10.23 to the Registrant's Registration Statement on Form S-1 (SEC File No. 33-217442) on April 25, 2017, is incorporated herein by reference.
21.1	Subsidiaries of the Registrant filed in the Registrant's Registration Statement on Form SB-2 (SEC File No. 33-66850) ordered effective on October 26, 1993, is incorporated herein by reference.
31.1	C.E.O. Certification under Rule 13a-14(a)/15d-14(a)
31.2	C.F.O. Certification under Rule 13a-14(a)/15d-14(a)
32.1	C.E.O. Certification under 18 U.S.C. Section 1350
32.2	C.F.O. Certification under 18 U.S.C. Section 1350
101	Interactive Financial Data

*Management contract or compensation plan.