

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended November 30, 2007

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 0-14749

Rocky Mountain Chocolate Factory, Inc.  
(Exact name of registrant as specified in its charter)

Colorado  
(State of incorporation)

84-0910696  
(I.R.S. Employer Identification No.)

265 Turner Drive, Durango, CO 81303  
(Address of principal executive offices)

(970) 259-0554  
(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  No .

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

On December 28, 2007 the registrant had outstanding 6,369,285 shares of its common stock, \$.03 par value.

The exhibit index is located on page 20.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

FORM 10-Q

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**PART I. FINANCIAL INFORMATION**

## Item 1. Financial Statements

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.  
STATEMENTS OF INCOME  
(unaudited)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2007	2006	2007	2006
<b>Revenues</b>				
Sales	\$ 7,166,917	\$ 7,666,555	\$19,009,821	\$18,253,827
Franchise and royalty fees	1,598,554	1,427,881	4,582,614	4,388,590
Total revenues	8,765,471	9,094,436	23,592,435	22,642,417
<b>Costs and Expenses</b>				
Cost of sales, exclusive of depreciation and amortization expense of \$99,308, \$104,912, \$291,382 and \$319,574 respectively	4,944,662	5,043,934	12,339,255	11,547,063
Franchise costs	404,762	430,040	1,184,030	1,146,655
Sales and marketing	380,331	367,695	1,076,415	1,072,447
General and administrative	596,787	571,583	1,890,529	1,790,897
Retail operating	222,613	331,115	735,806	1,143,319
Depreciation and amortization	197,365	221,571	585,357	683,016
Total costs and expenses	6,746,520	6,965,938	17,811,392	17,383,397
<b>Income from Operations</b>	2,018,951	2,128,498	5,781,043	5,259,020
<b>Interest Income</b>	25,569	12,652	84,112	49,866
<b>Income Before Income Taxes</b>	2,044,520	2,141,150	5,865,155	5,308,886
<b>Income Tax Provision</b>	778,965	809,355	2,234,630	2,006,760
<b>Net Income</b>	\$ 1,265,555	\$ 1,331,795	\$ 3,630,525	\$ 3,302,126
<b>Basic Earnings per Common Share</b>	\$ .20	\$ .21	\$ .57	\$ .51
<b>Diluted Earnings per Common Share</b>	\$ .19	\$ .20	\$ .56	\$ .49
<b>Weighted Average Common Shares Outstanding</b>	6,367,023	6,388,065	6,374,760	6,436,994
<b>Dilutive Effect of Stock Options</b>	173,522	209,701	164,996	235,213
<b>Weighted Average Common Shares Outstanding, Assuming Dilution</b>	6,540,545	6,597,766	6,539,756	6,672,207

The accompanying notes are an integral part of these financial statements.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.  
BALANCE SHEETS

	November 30, 2007 (unaudited)	February 28, 2007
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,340,724	\$ 2,830,175
Accounts receivable, less allowance for doubtful accounts of \$198,834 and \$187,519, respectively	5,358,628	3,756,212
Notes receivable	40,844	50,600
Inventories, less reserve for slow moving inventory of \$136,577 and \$147,700, respectively	3,911,213	3,482,139
Deferred income taxes	272,871	272,871
Other	429,351	367,420
Total current assets	12,353,631	10,759,417
<b>Property and Equipment, Net</b>	5,748,040	5,754,122
<b>Other Assets</b>		
Notes receivable	285,341	310,453
Goodwill, net	939,074	939,074
Intangible assets, net	294,525	349,358
Other	116,867	343,745
Total other assets	1,635,807	1,942,630
Total assets	\$19,737,478	\$18,456,169
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,245,615	\$ 898,794
Accrued salaries and wages	534,490	931,614
Other accrued expenses	850,577	585,402
Dividend payable	638,325	551,733
Deferred income	376,000	288,500
Total current liabilities	\$ 3,645,007	\$ 3,256,043
<b>Deferred Income Taxes</b>	685,613	685,613
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Common stock, \$.03 par value, 100,000,000 shares authorized, 6,369,285 and 6,418,905 issued and outstanding, respectively	191,079	192,567
Additional paid-in capital	11,518,690	6,987,558
Retained earnings	3,697,089	7,334,388
Total stockholders' equity	15,406,858	14,514,513
Total liabilities and stockholders' equity	\$19,737,478	\$18,456,169

The accompanying notes are an integral part of these financial statements.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.  
STATEMENTS OF CASH FLOWS  
(unaudited)

	Nine Months Ended November 30,	
	2007	2006
<b>Cash Flows From Operating activities</b>		
Net income	\$ 3,630,525	\$ 3,302,126
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	585,357	683,016
Provision for loss on accounts and notes receivable	25,000	-
Provision for obsolete inventory	60,000	45,000
Loss on sale of assets	28,856	61,218
Expense recorded for stock options	58,355	201,269
Changes in operating assets and liabilities:		
Accounts receivable	(1,627,034)	(2,258,419)
Inventories	(489,074)	(551,293)
Other current assets	(79,101)	79,046
Accounts payable	346,821	63,676
Deferred income	87,500	-
Accrued liabilities	(130,723)	91,395
Net cash provided by operating activities	2,496,482	1,717,034
<b>Cash Flows From Investing Activities</b>		
Proceeds received on notes receivable	34,868	86,186
Proceeds from sale of assets	29,000	-
Purchases of property and equipment	(498,657)	(150,449)
Decrease in other assets	158,800	9,890
Net cash used in investing activities	(275,989)	(54,373)
<b>Cash Flows From Financing Activities</b>		
Repurchase of stock	(1,256,513)	(3,794,944)
Proceeds from exercise of stock options	322,300	426,124
Costs of stock dividend	(9,647)	-
Dividends paid	(1,766,084)	(1,480,046)
Net cash used in financing activities	(2,709,944)	(4,848,866)
<b>Net Decrease in Cash and Cash Equivalents</b>	(489,451)	(3,186,205)
<b>Cash and Cash Equivalents, Beginning of Period</b>	2,830,175	3,489,750
<b>Cash and Cash Equivalents, End of Period</b>	\$ 2,340,724	\$ 303,545

The accompanying notes are an integral part of these financial statements.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.  
NOTES TO INTERIM FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Operations

Rocky Mountain Chocolate Factory, Inc. is an international franchiser, confectionery manufacturer and retail operator in the United States, Canada and the United Arab Emirates. The Company manufactures an extensive line of premium chocolate candies and other confectionery products. The Company's revenues are currently derived from three principal sources: sales to franchisees and others of chocolates and other confectionery products manufactured by the Company; the collection of initial franchise fees and royalties from franchisees' sales; and sales at Company-owned stores of chocolates and other confectionery products. The following table summarizes the number of Rocky Mountain Chocolate Factory stores at November 30, 2007:

	Sold, Not Yet Open	Open	Total
Company-owned stores	-	5	5
Company-owned kiosks	-	-	-
Franchise stores - Domestic stores	18	265	283
Franchise Stores - Domestic kiosks	-	21	21
Franchise units - International	-	39	39

Basis of Presentation

The accompanying financial statements have been prepared by the Company, without audit, and reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial reporting and Securities and Exchange Commission regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements reflect all adjustments (of a normal and recurring nature) which are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The results of operations for the nine months ended November 30, 2007 are not necessarily indicative of the results to be expected for the entire fiscal year.

These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2007.

Stock-Based Compensation

At November 30, 2007, the Company had stock-based compensation plans for employees and nonemployee directors which authorized the granting of stock awards.

Effective March 1, 2006, the Company adopted the recognition provisions of Statement of Financial Accounting Standard No. 123R, "Share-Based Payment" ("SFAS No. 123R"), using the modified-prospective transition method. Under this transition method, compensation cost includes the portion vesting in the period for (1) all share-based payments granted prior to, but not vested, as of March 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (2) all share-based payments granted subsequent to March 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R.

NOTE 1 - NATURE OF OPERATIONS AND BASIS OF PRESENTATION - CONTINUED

Stock-Based Compensation - Continued

The Company recognized \$0 and \$33,198 related equity-based compensation expense during the three and nine month periods ended November 30, 2007. Compensation costs related to share-based compensation are generally amortized over the vesting period in selling, general and administrative expenses in the statements of income.

On February 21, 2006, the Company accelerated the vesting of all outstanding stock options and recognized a share-based compensation charge related to this acceleration. The Company recognized an additional share-based compensation charge of \$0 and \$25,158 for the three and nine months ended November 30, 2007, respectively, related to this acceleration due to changes in certain estimates and assumptions related to employee turnover since the acceleration date. Adjustments in future periods may be necessary as actual results could differ from these estimates and assumptions.

Prior to adopting SFAS No. 123R, the Company presented all benefits from tax deductions arising from equity-based compensation as a non-cash transaction in the Statement of Cash Flows. SFAS No. 123R requires that the tax benefits in excess of the compensation cost recognized for those exercised options be classified as cash provided by financing activities. No excess tax benefit was included in net cash provided by financing activities for the nine months ended November 30, 2007.

The weighted-average fair value of stock options granted during the nine-month periods ended November 30, 2007 and November 30, 2006 was \$2.69 and there were no options granted during the nine-month period ended November 30, 2006. As of November 30, 2007, there was \$0 of unrecognized compensation cost related to non-vested share-based compensation that is expected to be recognized over the remainder of fiscal 2008.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model utilizing the following weighted average assumptions:

	Nine Months Ended November 30,	
	2007	2006
Expected dividend yield	2.60%	n/a
Expected stock price volatility	20%	n/a
Risk-free interest rate	4.7%	n/a
Expected life of options	5 years	n/a

NOTE 2 - EARNINGS PER SHARE

Basic earnings per share is calculated using the weighted average number of common shares outstanding. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through stock options. For the three months ended November 30, 2007 and 2006, 68,169 and 153,888 stock options, respectively, were excluded from the computation of earnings per share because their effect would have been anti-dilutive. For the nine months ended November 30, 2007 and 2006, 99,614 and 150,654 stock options, respectively, were excluded from the computation of earnings per share because their effect would have been anti-dilutive.

NOTE 3 - INVENTORIES

Inventories consist of the following:

	November 30, 2007	February 28, 2007
Ingredients and supplies	\$ 1,769,063	\$ 1,730,850
Finished candy	2,142,150	1,751,289
Total inventories	\$ 3,911,213	\$ 3,482,139

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	November 30, 2007	February 28, 2007
Land	\$ 513,618	\$ 513,618
Building	4,717,230	4,717,230
Machinery and equipment	6,773,930	6,284,433
Furniture and fixtures	692,253	673,194
Leasehold improvements	422,164	418,764
Transportation equipment	350,714	350,714
	13,469,909	12,957,953
Less accumulated depreciation	7,721,869	7,203,831
Property and equipment, net	\$ 5,748,040	\$ 5,754,122

NOTE 5 - STOCKHOLDERS' EQUITY

Stock Dividend

On July 10, 2007 the Board of Directors declared a 5 percent stock dividend payable on July 31, 2007 to shareholders of record as of July 20, 2007. Shareholders received one additional share of Common Stock for every twenty shares owned prior to the record date. Subsequent to the dividend there were 6,380,945 shares outstanding.

All share and per share data have been restated in all periods presented to give effect to the stock dividend.

Stock Repurchases

Between August 15, 2007 and August 28, 2007, the Company repurchased 16,000 shares at an average price of \$15.96 per share. Between March 1, 2007 and May 15, 2007 the Company repurchased 76,335 shares at an average price of \$13.12 per share. Between June 30, 2006 and February 28, 2007 the Company repurchased 91,966 shares at an average price of \$13.03 per share. Between March 24, 2006 and May 18, 2006 the Company repurchased 235,424 shares at an average price of \$13.52 per share.

Cash Dividend

The Company paid a quarterly cash dividend of \$0.095 per common share on September 14, 2007 to shareholders of record on September 4, 2007. The Company paid a quarterly cash dividend of \$0.095 per common share on June 15, 2007 to shareholders of record on June 1, 2007. The Company paid a quarterly cash dividend of \$0.086 per common share on March 16, 2007 to shareholders of record on March 2, 2007. On September 27, 2007 the Company declared a quarterly cash dividend of \$0.10 per common share payable on December 14, 2007 to shareholders of record on December 3, 2007.

Future declaration of dividends will depend on, among other things, the Company's results of operations, capital requirements, financial condition and on such other factors as the Company's Board of Directors may in its discretion consider relevant and in the best long term interest of the shareholders.

NOTE 6 - SUPPLEMENTAL CASH FLOW INFORMATION

	Nine Months Ended November 30,	
Cash paid for:	2007	2006
Income taxes	\$ 2,084,412	\$ 2,065,407
Non-Cash Financing Activities		
Dividend payable	\$ 86,592	\$ 46,431
Issue stock for rights and services	-	15,822

NOTE 7 - OPERATING SEGMENTS

The Company classifies its business interests into two reportable segments: Franchising and Manufacturing. The Company's retail stores provide an environment for testing consumer behavior, various pricing strategies, new products and promotions, operating, training and merchandising techniques. Three operational stores previously classified as held for sale were reclassified as assets held and used when management's intentions changed. All Company-owned retail stores are evaluated by management in relation to their contribution to franchising efforts and are included in the Franchising segment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 to the Company's financial statements included in the Company's annual report on Form 10-K for the year ended February 28, 2007. The Company evaluates performance and allocates resources based on operating contribution, which excludes unallocated corporate general and administrative costs and income tax expense or benefit. The Company's reportable segments are strategic businesses that utilize common merchandising, distribution, and marketing functions, as well as common information systems and corporate administration. All inter-segment sales prices are market based. Each segment is managed separately because of the differences in required infrastructure and the difference in products and services:

Three Months Ended November 30, 2007	Franchising	Manufacturing	Other	Total
Total revenues	\$ 1,909,836	\$ 7,286,516	\$ -	\$ 9,196,352
Intersegment revenues	-	(430,881)	-	(430,881)
Revenue from external customers	1,909,836	6,855,635	-	8,765,471
Segment profit (loss)	781,197	1,879,739	(616,416)	2,044,520
Total assets	2,301,016	13,059,186	4,377,276	19,737,478
Capital expenditures	1,725	151,692	30,273	183,690
Total depreciation & amortization	47,593	104,574	45,198	197,365

Three Months Ended November 30, 2006	Franchising	Manufacturing	Other	Total
Total revenues	\$ 1,963,277	\$ 7,693,597	\$ -	\$ 9,656,874
Intersegment revenues	-	(562,438)	-	(562,438)
Revenue from external customers	1,963,277	7,131,159	-	9,094,436
Segment profit (loss)	609,949	2,145,433	(614,232)	2,141,150
Total assets	2,760,142	12,489,068	2,629,815	17,879,025
Capital expenditures	7,786	6,613	16,409	30,808
Total depreciation & amortization	57,655	110,291	53,625	221,571

Nine Months Ended November 30, 2007				
Total revenues	\$ 5,805,270	\$19,131,712	\$ -	\$24,936,982
Intersegment revenues	-	(1,344,547)	-	(1,344,547)
Revenue from external customers	5,805,270	17,787,165		23,592,435
Segment profit (loss)	2,290,690	5,517,451	(1,942,986)	5,865,155
Total assets				
Capital expenditures	7,718	360,682	130,257	498,657
Total depreciation & amortization	142,644	307,370	135,343	585,357

Nine Months Ended				
November 30, 2006				
Total revenues	\$ 6,298,520	\$17,826,962	\$ -	\$24,125,482
Intersegment revenues	-	(1,483,065)	-	(1,483,065)
Revenue from external customers	6,298,520	16,343,897	-	22,642,417
Segment profit (loss)	2,078,074	5,063,118	(1,832,306)	5,308,886
Total assets	2,760,142	12,489,068	2,629,815	17,879,025
Capital expenditures	30,589	78,424	41,435	150,448
Total depreciation & amortization	181,343	335,741	165,932	683,016

NOTE 8 - GOODWILL AND INTANGIBLE ASSETS

Intangible assets consist of the following:

	Amortization Period	November 30, 2007		February 28, 2007	
		Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Intangible assets subject to amortization					
Store design	10 Years	\$ 205,777	\$ 122,036	\$ 205,777	\$ 106,204
Packaging licenses	3-5 Years	120,830	107,914	120,830	104,164
Packaging design	10 Years	430,973	253,105	430,973	217,854
Trademark		20,000	-	20,000	-
Total		777,580	483,055	777,580	428,222
Intangible assets not subject to amortization					
Franchising segment-					
Company stores goodwill		1,011,458	267,020	1,011,458	267,020
Franchising goodwill		295,000	197,682	295,000	197,682
Manufacturing segment-Goodwill		295,000	197,682	295,000	197,682
Total Goodwill		1,601,458	662,384	1,601,458	662,384
Total intangible assets		\$ 2,379,038	\$ 1,145,439	\$ 2,379,038	\$ 1,090,606

Amortization expense related to intangible assets totaled \$54,833 and \$54,834 during the nine months ended November 30, 2007 and 2006, respectively. The aggregate estimated amortization expense for intangible assets remaining as of November 30, 2007 is as follows:

Remainder of fiscal 2008	18,300
2009	73,100
2010	73,100
2011	64,400
2012	37,700
Thereafter	7,925
Total	274,525

NOTE 9 - RECENT ACCOUNTING PRONOUNCEMENTS

In May 2007, the FASB issued FASB Staff Position FIN 48-1 that amends FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FSP FIN 48-1). FSP FIN 48-1 provides guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The Company adopted FIN 48 effective March 1, 2007 with no impact on the Company's financial statements. The Company does not expect FIN 48-1 to have a material impact on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations, which replaces FASB Statement No. 141. SFAS No. 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non controlling interest in the acquiree and the goodwill acquired. The Statement also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008 (Fiscal 2010). The Company is in the process of evaluating the potential impact, if any, of the adoption of SFAS No. 141R.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements - an amendment of Accounting Research Bulletin No. 51, which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. The Statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No.160 is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008 (Fiscal 2010). The Company is in the process of evaluating the potential impact, if any, of the adoption of SFAS No. 160.

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

#### **A Note About Forward-Looking Statements**

*The following discussion and analysis of the financial condition and results of operations of the Company should be read in conjunction with the unaudited financial statements and related Notes of the Company included elsewhere in this report. The nature of the Company's operations and the environment in which it operates subject it to changing economic, competitive, regulatory and technological conditions, risks and uncertainties. The statements, other than statements of historical fact, included in this report are forward-looking statements. Many of the forward-looking statements contained in this document may be identified by the use of forward-looking words such as "will," "intend," "believe," "expect," "anticipate," "should," "plan," "estimate" and "potential," or similar expressions. Factors which could cause results to differ include, but are not limited to: changes in the confectionery business environment, seasonality, consumer interest in the Company's products, general economic conditions, consumer trends, costs and availability of raw materials, competition and the effect of government regulation. Government regulation which the Company and its franchisees either are or may be subject to and which could cause results to differ from forward-looking statements include, but are not limited to: local, state and federal laws regarding health, sanitation, safety, building and fire codes, franchising, employment, manufacturing, packaging and distribution of food products and motor carriers. For a detailed discussion of the risks and uncertainties that may cause the Company's actual results to differ from the forward-looking statements contained herein, please see the "Risk Factors" contained in the Company's 10-K for the fiscal year ended February 28, 2007 which can be viewed at the SEC's website at [www.sec.gov](http://www.sec.gov) or through our website at [www.rmcf.com](http://www.rmcf.com). These forward-looking statements apply only as of the date of this report. As such they should not be unduly relied upon for more current circumstances. Except as required by law, the Company is not obligated to release publicly any revisions to these forward-looking statements that might reflect events or circumstances occurring after the date of this report or those that might reflect the occurrence of unanticipated events.*

The Company is a product-based international franchiser. The Company's revenues and profitability are derived principally from its franchised system of retail stores that feature chocolate and other confectionery products. The Company also sells its candy in selected locations outside its system of retail stores to build brand awareness. The Company operates five retail units as a laboratory to test marketing, design and operational initiatives.

The Company is subject to seasonal fluctuations in sales because of the location of its franchisees, which are located in street fronts, tourist locations, outlet centers and regional centers. Seasonal fluctuation in sales cause fluctuations in quarterly results of operations. Historically, the strongest sales of the Company's products have occurred during the Christmas holiday and summer vacation seasons. Additionally, quarterly results have been, and in the future are likely to be, affected by the timing of new store openings and sales of franchises. Because of the seasonality of the Company's business and the impact of new store openings and sales of franchises, results for any quarter are not necessarily indicative of results that may be achieved in other quarters or for a full fiscal year.

The most important factors in continued growth in the Company's earnings are ongoing unit growth, increased same store sales and increased same store pounds purchased from the factory. Historically, unit growth has more than offset decreases in same store sales and same store pounds purchased.

The Company's ability to successfully achieve expansion of its Rocky Mountain Chocolate Factory franchise system depends on many factors not within the Company's control including the availability of suitable sites for new store establishment and the availability of qualified franchisees to support such expansion.

Efforts to reverse the decline in same store pounds purchased from the factory by franchised stores and to increase total factory sales depend on many factors, including new store openings and the receptivity of the Company's franchise system to the Company's product introductions and promotional programs. Same store pounds purchased from the factory by franchised stores declined approximately 9% in the first, second and third quarters and 9% in the first nine months of fiscal 2008.

As a result, the actual results realized by the Company could differ materially from the results discussed in or contemplated by the forward-looking statements made herein. Readers are cautioned not to place undue reliance on the forward-looking statements in this Quarterly Report on Form 10-Q.

## Results of Operations

### Three Months Ended November 30, 2007 Compared to the Three Months Ended November 30, 2006

Basic earnings per share decreased 4.8% from \$.21 for the three months ended November 30, 2006 to \$.20 for the three months ended November 30, 2007. Revenues decreased 3.6% from \$9.1 million in the third quarter of fiscal 2007 to \$8.8 million in the third quarter of fiscal 2008. Net income decreased 5.0% from the third quarter in fiscal 2007 to the third quarter in fiscal 2008. The decrease in earnings per share, operating income, and net income for the third quarter of fiscal 2008 versus the same period in fiscal 2007 was due primarily to a decrease in specialty market sales in the third quarter of fiscal 2008 versus the same period in fiscal 2007 and a decrease in same store pounds purchased from the factory partially offset by growth in the average number of franchise stores in operation and corresponding increases in revenues.

Revenues (\$'s in thousands)	Three Months Ended November 30,		\$ Change	% Change
	2007	2006		
Factory sales	\$ 6,855.7	\$ 7,131.2	\$ (275.5)	(3.9%)
Retail sales	311.3	535.4	(224.1)	(41.9%)
Franchise fees	278.0	154.0	124.0	80.5%
Royalty and Marketing fees	1,320.5	1,273.8	46.7	3.7%
Total	\$ 8,765.5	\$ 9,094.4	\$ (328.9)	(3.6%)

#### Factory Sales

The decrease in factory sales was due to a 28.6% decrease in product shipments to specialty market customers for the three months ended November 30, 2007 compared to the three months ended November 30, 2006. Additionally, factory sales decreased for the three months ended November 30, 2007 due to a 9% decrease in same store pounds purchased by franchised stores partially offset by an increase in the average number of franchised stores in operation when compared to the three months ended November 30, 2006. The average number of franchised stores in operation increased to 324 in the third quarter of fiscal 2008 from 309 in the third quarter of fiscal 2007.

#### Retail Sales

The decrease in total retail sales was due to a decrease in the average number of stores in operation from 7 in the third quarter of fiscal 2007 to 5 in the third quarter of fiscal 2008. Same store retail sales declined 2.5% in the third quarter of fiscal 2008 compared to the third quarter of fiscal 2007.

#### Royalties, Marketing Fees and Franchise Fees

The increase in royalties and marketing fees resulted from growth in the average number of domestic units in operation partially offset by a decline in same store sales. The average number of domestic units in operation grew 5.3% from 266 in the third quarter of fiscal 2007 to 280 in

the third quarter of fiscal 2008 and same store sales declined 2.5% in the third quarter of fiscal 2008 compared to the third quarter of fiscal 2007. Franchise fee revenues in the third quarter of fiscal 2008 increased 80.5% versus the third quarter of fiscal 2007 as a result of a change in the revenue recognition policy for franchise fee revenue compared with the same period in the prior year. Historically the Company has recognized franchise fees upon completion of all significant initial services provided to the franchisee and upon satisfaction of all material conditions of the franchise agreement. Effective with the fourth quarter of fiscal 2007, the Company changed that policy to more closely coincide with industry practice, that is, to recognize franchise fees when the franchise store opens.

Costs and Expenses (\$'s in thousands)	Three Months Ended November 30,		\$ Change	% Change
	2007	2006		
Cost of sales - factory adjusted	\$ 4,814.7	\$ 4,834.7	\$ (20.0)	(0.4%)
Cost of sales - retail	130.0	209.2	(79.2)	(37.9%)
Franchise costs	404.8	430.0	(25.2)	(5.9%)
Sales and marketing	380.3	367.7	12.6	3.4%
General and administrative	596.8	571.6	25.2	4.4%
Retail operating	222.6	331.1	(108.5)	(32.8%)
Total	\$ 6,549.2	\$ 6,744.3	\$ (195.1)	(2.9%)

Adjusted gross margin (\$'s in thousands)	Three Months Ended November 30,		\$ Change	% Change
	2007	2006		
Factory adjusted gross margin	\$ 2,041.0	\$ 2,296.5	\$ (255.5)	(11.1%)
Retail	181.3	326.2	(144.9)	(44.4%)
Total	\$ 2,222.3	\$ 2,622.7	\$ (400.4)	(15.3%)

(Percent)

Factory adjusted gross margin	29.8%	32.2%	(2.4%)	(7.5%)
Retail	58.2%	60.9%	(2.7%)	(4.4%)
Total	31.0%	34.2%	(3.2%)	(9.4%)

Adjusted gross margin is equal to gross margin minus depreciation and amortization expense. We believe adjusted gross margin is helpful in understanding our past performance as a supplement to gross margin and other performance measures calculated in conformity with accounting principles generally accepted in the United States ("GAAP"). We believe that adjusted gross margin is useful to investors because it provides a measure of operating performance and our ability to generate cash that is unaffected by non-cash accounting measures. Additionally, we use adjusted gross margin rather than gross margin to make incremental pricing decisions. Adjusted gross margin has limitations as an analytical tool because it excludes the impact of depreciation and amortization expense and you should not consider it in isolation or as a substitute for any measure reported under GAAP. Our use of capital assets makes depreciation and amortization expense a necessary element of our costs and our ability to generate income. Due to these limitations, we use adjusted gross margin as a measure of performance only in conjunction with GAAP measures of performance such as gross margin. The following table provides a reconciliation of adjusted gross margin to gross margin, the most comparable performance measure under GAAP:

(\$'s in thousands)	Three Months Ended November 30,	
	2007	2006
Factory adjusted gross margin	\$ 2,041.0	\$ 2,296.5
Less: Depreciation and Amortization	99.3	104.9
Factory GAAP gross margin	\$ 1,941.7	\$ 2,191.6

#### Cost of Sales

The decrease in factory margin is due primarily to lower manufacturing efficiencies associated with lower production volume and higher commodity prices during the third quarter of fiscal 2008 versus the same period in the prior year. The decrease in Company-owned store margin is due primarily to mix of product sold during the third quarter of fiscal 2008 versus the third quarter of fiscal 2007, associated with a decrease in the average number of Company stores in operation.

## Franchise Costs

The decrease in franchise costs for the three months ended November 30, 2007 compared with the three months ended November 30, 2006 is due to decreased professional fees. As a percentage of total royalty and marketing fees and franchise fee revenue, franchise costs decreased to 25.3% in the third quarter of fiscal 2008 from 30.1% in the third quarter of fiscal 2007. This decrease as a percentage of royalty, marketing and franchise fees is primarily a result of higher franchise revenues relative to costs.

## Sales and Marketing

The increase in sales and marketing costs for the three months ended November 30, 2007 versus the corresponding period in the prior year is due to increased marketing and promotional costs.

## General and Administrative

The increase in general and administrative costs in the third quarter of fiscal 2008 versus the same period in the prior year is due primarily to an increase in public company costs partially offset by lower compensation costs. As a percentage of total revenues general and administrative expenses increased to 6.8% in the third quarter of fiscal 2008 compared to 6.3% in the third quarter of fiscal 2007.

## Retail Operating Expenses

The decrease was due primarily to a decrease in the average number of stores during the third quarter of fiscal 2008 versus the third quarter fiscal 2007. Retail operating expenses, as a percentage of retail sales, increased from 61.8% in the third quarter of fiscal 2007 to 71.5% in the third quarter of fiscal 2008 due to a lower decrease in costs relative to the decrease in revenues associated with a decrease in the average number of Company stores in operation.

## Depreciation and Amortization

Depreciation and amortization of \$197,000 in the third quarter of fiscal 2008 decreased 10.9% from \$222,000 incurred in the third quarter of fiscal 2007, due to the sale or closure of two Company-owned stores and certain assets becoming fully depreciated.

## Interest Income

Interest income of \$26,000 realized in the third quarter of fiscal 2008 represents an increase of \$13,000 from the \$13,000 realized in the third quarter of fiscal 2007 due primarily to higher interest income from invested cash and notes receivable. Cash balances were higher primarily as a result of fewer shares of the Company stock being repurchased in the third quarter of fiscal 2008 compared with the same period of fiscal 2007.

## Income Tax Expense

The Company's effective income tax rate in the third quarter of fiscal 2008 was 38.1% which is an increase of 0.3% compared to the third quarter of fiscal 2007. The increase in the effective tax rate is primarily due to increased income in states with higher income tax rates.

## **Nine Months Ended November 30, 2007 Compared to the Nine Months Ended November 30, 2006**

Basic earnings per share increased 11.8% from \$.51 for the nine months ended November 30, 2006 to \$.57 for the nine months ended November 30, 2007. Revenues increased 4.2% for the nine months ended November 30, 2006 compared to the nine months ended November 30, 2007. Operating income increased 9.9% from \$5.3 million in the nine months ended November 30, 2006 to \$5.8 million in the nine months ended November 30, 2007. Net income increased 9.9% from \$3.3 million in the nine months ended November 30, 2006 to \$3.6 million in the nine months ended November 30, 2007. The increase in earnings per share, operating income, and net income for the first nine months of fiscal 2008 versus the same period in fiscal 2007 was due primarily to an increase in product shipments to specialty markets and growth in the average number of franchise stores in operation, and the corresponding increase in revenue.

## Revenues

(\$'s in thousands)	Nine Months Ended		\$	%
	November 30,			
	2007	2006		
Factory sales	\$17,787.2	\$16,343.9	\$1,443.3	8.8%
Retail sales	1,222.7	1,909.9	(687.2)	(36.0%)
Franchise fees	449.5	460.8	(11.3)	(2.5%)
Royalty and marketing fees	4,133.1	3,927.8	205.3	5.2%
Total	\$23,592.5	\$22,642.4	\$ 950.1	4.2%

## Factory Sales

Factory sales increased for the nine months ended November 30, 2007 compared to the same period in fiscal 2007 due to an increase of 49.5% in product shipments to specialty markets and growth in the average number of stores in operation to 322 in the first nine months of fiscal 2008 from 306 in the same period in fiscal 2007. Same store pounds purchased in the first nine months of fiscal 2008 were down approximately 9% from the same period in the prior year, more than offsetting the increase in the average number of franchised stores in operation and partially offsetting the increase in specialty market sales. The Company believes the decrease in same store pounds purchased is due primarily to a product mix shift from factory products to products made in the stores and softening in the retail sector of the economy.

## Retail Sales

The decline in total retail sales was due to a decrease in the average number of Company-owned stores in operation from 8 in fiscal 2007 to 5 in fiscal 2008. Same store retail sales increased 1.8% in the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007.

## Royalties, Marketing Fees and Franchise Fees

The increase in royalties and marketing fees resulted from growth in both the average number of domestic units in operation and same store sales. The average number of domestic units in operation grew 6.1% from 263 in the first nine months of fiscal 2007 to 279 in the first nine months of fiscal 2008 and same store sales grew 0.7% in the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007. Franchise fee revenues declined 2.5% from the nine months ended November 30, 2006 to the nine months ended November 30, 2007 as a result of a change in the revenue recognition policy for franchise fee revenue compared with the same period in the prior year. Historically the Company has recognized franchise fees upon completion of all significant initial services provided to the franchisee and upon satisfaction of all material conditions of the franchise agreement. Effective with the fourth quarter of fiscal 2007, the Company changed that policy to more closely coincide with industry practice, that is, to recognize franchise fees when the franchise store opens.

## Costs and Expenses

(\$'s in thousands)	Nine Months Ended		\$	%
	November 30,			
	2007	2006		
Cost of sales - factory adjusted	\$ 11,849.2	\$ 10,794.8	\$ 1,054.4	9.8%
Cost of sales - retail	490.1	752.3	(262.2)	(34.9%)
Franchise costs	1,184.0	1,146.7	37.3	3.3%
Sales and marketing	1,076.4	1,072.4	4.0	0.4%
General and administrative	1,890.5	1,790.9	99.6	5.6%
Retail operating	735.8	1,143.3	(407.5)	(35.6%)
Total	\$ 17,226.0	\$ 16,700.4	\$ 525.6	3.1%

Adjusted gross margin	Nine Months Ended		\$	%
	November 30,			
	2007	2006		
(\$'s in thousands)				
Factory adjusted gross margin	\$ 5,938.0	\$ 5,549.1	\$ 388.9	7.0%
Retail	732.6	1,157.6	(425.0)	(36.7%)
Total	\$ 6,670.6	\$ 6,706.7	\$ 36.1	0.5%
(Percent)				
Factory adjusted gross margin	33.4%	34.0%	(0.6%)	(1.8%)
Retail	59.9%	60.6%	(0.7%)	(1.2%)
Total	35.1%	36.7%	(1.6%)	(4.4%)

Adjusted gross margin is equal to gross margin minus depreciation and amortization expense. We believe adjusted gross margin is helpful in understanding our past performance as a supplement to gross margin and other performance measures calculated in conformity with accounting principles generally accepted in the United States ("GAAP"). We believe that adjusted gross margin is useful to investors because it provides a measure of operating performance and our ability to generate cash that is unaffected by non-cash accounting measures. Additionally, we use adjusted gross margin rather than gross margin to make incremental pricing decisions. Adjusted gross margin has limitations as an analytical tool because it excludes the impact of depreciation and amortization expense and you should not consider it in isolation or as a substitute for any measure reported under GAAP. Our use of capital assets makes depreciation and amortization expense a necessary element of our costs and our ability to generate income. Due to these limitations, we use adjusted gross margin as a measure of performance only in conjunction with GAAP measures of performance such as gross margin. The following table provides a reconciliation of adjusted gross margin to gross margin, the most comparable performance measure under GAAP:

(\$'s in thousands)	Nine Months Ended	
	November 30,	
	2007	2006
Factory adjusted gross margin	\$ 5,938.0	\$ 5,549.1
Less: Depreciation and Amortization	291.4	319.6
Factory GAAP gross margin	\$ 5,646.6	\$ 5,229.5

#### Cost of Sales

Factory margins declined 60 basis points from the nine months ended November 30, 2006 to the nine months ended November 30, 2007 due primarily to increased costs and mix of product sold during the first nine months of fiscal 2008 versus the same period in the prior year. Company-owned store margin declined 70 basis points from the nine months ended November 30, 2006 to the nine months ended November 30, 2007 due primarily to a change in mix of product sold associated with a decrease in the average number of company stores in operation.

#### Franchise Costs

The increase in franchise costs is due to increased professional fees. As a percentage of total royalty and marketing fees and franchise fee revenue, franchise costs decreased to 25.8% in the first nine months of fiscal 2008 from 26.1% in the first nine months of fiscal 2007.

#### Sales and Marketing

Sales and marketing costs were approximately the same for the nine months ended November 30, 2007 compared with the nine months ended November 30, 2006.

#### General and Administrative

The increase in general and administrative costs for the first nine months of fiscal 2008 versus the same period in fiscal 2007 is due primarily to increased professional fees, expense associated with a grant of non-employee director stock options and a loss on the sale of assets. Partially offsetting these increases was a decrease in employee stock option compensation expense from the first nine months of fiscal 2008 compared with the same period in fiscal 2007. As a percentage of total revenues, general and administrative expenses increased to 8.0% in the nine months ended November 30, 2007 compared to 7.9% in the nine months ended November 30, 2006.

#### Retail Operating Expenses

The decrease in retail operating expenses was due primarily to a decrease in the average number of Company-owned stores during the first nine months of fiscal 2008 versus the first nine months of fiscal 2007. Retail operating expenses, as a percentage of retail sales, increased from 59.9% in the first nine months of fiscal 2007 to 60.2% in the first nine months of fiscal 2008 due to a lower decrease in costs relative to the decrease in revenues associated with a decrease in the average number of Company stores in operation.

## Depreciation and Amortization

Depreciation and amortization of \$585,000 in the first nine months of fiscal 2008 decreased 14.3% from the \$683,000 incurred in the first nine months of fiscal 2007 due to the sale or closure of four Company-owned stores and certain assets becoming fully depreciated.

## Interest Income

Interest income of \$84,000 realized in the first nine months of fiscal 2008 represents an increase of \$34,000 from the \$50,000 realized in the first nine months of fiscal 2007, due primarily to higher interest income on higher average cash balances.

## Income Tax Expense

The Company's effective income tax rate in the third quarter of fiscal 2008 was 38.1% which is an increase of 0.3% compared to the third quarter of fiscal 2007. The increase in the effective tax rate is primarily due to increased income in states with higher income tax rates.

## Liquidity and Capital Resources

As of November 30, 2007, working capital was \$8.7 million, compared with \$7.5 million as of February 28, 2007, an increase of \$1.2 million. The increase in working capital was primarily due to operating results less the payment of \$1.8 million in cash dividends and the repurchase and retirement of \$1.3 million of the Company's common stock.

Cash and cash equivalent balances decreased from \$2.8 million as of February 28, 2007 to \$2.3 million as of November 30, 2007 as a result of cash flows provided by operating activities less than cash flows used by financing and investing activities. The Company's current ratio was 3.39 to 1 at November 30, 2007 in comparison with 3.30 to 1 at February 28, 2007. The Company monitors current and anticipated future levels of cash and cash equivalents in relation to anticipated operating, financing and investing requirements.

The Company has a \$5.0 million (\$5.0 million available as of November 30, 2007) working capital line of credit collateralized by substantially all of the Company's assets with the exception of the Company's retail store assets. The line is subject to renewal in July, 2008.

The Company believes cash flows generated by operating activities and available financing will be sufficient to fund the Company's operations at least through the end of fiscal 2009.

## Impact of Inflation

Inflationary factors such as increases in the costs of ingredients and labor directly affect the Company's operations. Most of the Company's leases provide for cost-of-living adjustments and require the Company to pay taxes, insurance and maintenance expenses, all of which are subject to inflation. Additionally the Company's future lease costs for new facilities may include potentially escalating costs of real estate and construction. There is no assurance that the Company will be able to pass on increased costs to its customers.

Depreciation expense is based on the historical cost to the Company of its fixed assets, and is therefore potentially less than it would be if it were based on current replacement cost. While property and equipment acquired in prior years will ultimately have to be replaced at higher prices, it is expected that replacement will be a gradual process over many years.

## Seasonality

The Company is subject to seasonal fluctuations in sales, which cause fluctuations in quarterly results of operations. Historically, the strongest sales of the Company's products have occurred during the Christmas holiday and summer vacation seasons. In addition, quarterly results have been, and in the future are likely to be, affected by the timing of new store openings and sales of franchises. Because of the seasonality of the Company's business and the impact of new store openings and sales of franchises, results for any quarter are not necessarily indicative of results that may be achieved in other quarters or for a full fiscal year.

## **New Accounting Pronouncements**

In May 2007, the FASB issued FASB Staff Position FIN 48-1 that amends FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FSP FIN 48-1). FSP FIN 48-1 provides guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The Company adopted FIN 48 effective March 1, 2007 with no impact on the Company's financial statements. The Company does not expect FIN 48-1 to have a material impact on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations, which replaces FASB Statement No. 141. SFAS No. 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non controlling interest in the acquiree and the goodwill acquired. The Statement also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008 (Fiscal 2010). The Company is in the process of evaluating the potential impact, if any, of the adoption of SFAS No. 141R.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements - an amendment of Accounting Research Bulletin No. 51, which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. The Statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No.160 is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008 (Fiscal 2010). The Company is in the process of evaluating the potential impact, if any, of the adoption of SFAS No. 160.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company does not engage in commodity futures trading or hedging activities and does not enter into derivative financial instrument transactions for trading or other speculative purposes. The Company also does not engage in transactions in foreign currencies or in interest rate swap transactions that could expose the Company to market risk. However, the Company is exposed to some commodity price and interest rate risks.

The Company frequently enters into purchase contracts of between six to eighteen months for chocolate and certain nuts. These contracts permit the Company to purchase the specified commodity at a fixed price on an as-needed basis during the term of the contract. Because prices for these products may fluctuate, the Company may benefit if prices rise during the terms of these contracts, but it may be required to pay above-market prices if prices fall and it is unable to renegotiate the terms of the contract.

As of November 30, 2007, all of the Company's long-term debt was paid in full. The Company also has a \$5.0 million bank line of credit that bears interest at a variable rate. As of November 30, 2007, no amount was outstanding under the line of credit. The Company does not believe that it is exposed to any material interest rate risk related to line of credit.

The Chief Financial Officer and Chief Operating Officer of the Company has primary responsibility over the Company's long-term and short-term debt and for determining the timing and duration of commodity purchase contracts and negotiating the terms and conditions of those contracts.

Item 4. Controls and Procedures

Under the supervision and with the participation of management, including the principal executive officer and principal financial officer, the Company has evaluated the effectiveness of the design and operation of the disclosure controls and procedures within 90 days of the filing date of this quarterly report, and, based on their evaluation, the Company's principal executive officer and principal financial officer have concluded that these controls and procedures are effective. There were no material changes in the Company's internal controls or in other factors that could materially affect these controls subsequent to the date of their evaluation. Disclosure controls and procedures are the Company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files under the Exchange Act is accumulated and communicated to management, including the principal executive officer the principal financial officer, as appropriate to allow timely decisions regarding required disclosure. There were no changes in the Company's internal control over financial reporting that occurred during the last quarter that has materially affected, or is reasonable likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

Item 1. Legal Proceedings

The Company is not currently involved in any material legal proceedings other than routine litigation incidental to its business.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part 1, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended February 28, 2007. There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup>
September 2007	-0-	-0-	-0-	4,649,960
October 2007	-0-	-0-	-0-	4,649,960
November 2007	-0-	-0-	-0-	4,649,960
Total	-0-	-0-	-0-	4,649,960

(1) During the third quarter of Fiscal 2008 ending November 30, 2007, the Company purchased -0- shares of the Company's common stock in the open market.

(2) On January 5, 2006, May 4, 2006 and May 25, 2006 the Company announced plans to repurchase up to \$2,000,000 of the Company's common stock and on May 10, 2007 the Company announced plans to repurchase up to \$5,000,000 of the Company's common stock in the open market or in private transactions, whenever deemed appropriate by management. The plans were only to expire once the designated amounts were reached. The January 5, 2006 plan was completed in May 2006. The May 4, 2006 plan was completed in July 2006. The May 25, 2006 plan was completed in May 2007. The Company plans to continue the May 10, 2007 plan until it has been completed.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

- 3.1 Articles of Incorporation of the Registrant, as amended, incorporated by reference to Exhibit 3.1 to Annual Report on Form 10-K of the Registrant for the year ended February 28, 2007
  - 3.2 By-laws of the Registrant, as amended on December 11, 2007, incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K of the Registrant filed on December 14, 2007
  - 10.1 \* Airport Development Agreement between The Grove, Inc. and the Registrant
  - 31.1 \* Certification Filed Pursuant To Section 302 Of The Sarbanes-Oxley Act of 2002, Chief Executive Officer
  - 31.2 \* Certification Filed Pursuant To Section 302 Of The Sarbanes-Oxley Act of 2002, Chief Financial Officer
  - 32.1 \* Certification Furnished Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002, Chief Executive Officer
  - 32.2 \* Certification Furnished Pursuant To Section 906 of The Sarbanes-Oxley Act of 2002, Chief Financial Officer
- \* Filed herewith.

Signature

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.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.  
(Registrant)

Date: January 8, 2008

/s/ Bryan J. Merryman  
Bryan J. Merryman, Chief Operating Officer,  
Chief Financial Officer, Treasurer and Director

## AIRPORT DEVELOPMENT AGREEMENT

**THIS AIRPORT DEVELOPMENT AGREEMENT** (the “**Agreement**”) is made this 20th day of July, 2007 by and between **THE GROVE, INC.**, located at 3 Westbrook Corporate Center, Suite 500, Westchester, Illinois 60154 (“**Franchisee**”), and **ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.**, located at 265 Turner Drive, Durango, Colorado 81303 (“**Franchisor**”).

### RECITALS

A. The Franchisor offers franchises for the establishment of retail stores, known as “**ROCKY MOUNTAIN CHOCOLATE FACTORY Stores**” or “**Stores**” offering gourmet chocolates and other premium confections, featuring Rocky Mountain Chocolate Factory® brand boxed chocolates and also confections made at the Stores. The Stores are operated under the Franchisor’s service mark “**ROCKY MOUNTAIN CHOCOLATE FACTORY**” and other trademarks, service marks, logo types, architectural designs, trade dress and other commercial symbols (collectively, “**Marks**”) and pursuant to the Franchisor’s proprietary business format, systems, methods, procedures, designs, layouts and specifications (“**System**”) for the establishment, operation and promotion of the Stores.

B. The Franchisee operates numerous retail stores (“**Grove Stores**”) at airports throughout the United States, selling packaged snack foods, beverages and frozen treats, under the trademark “**THE GROVE**” and other marks (“**Grove Marks**”).

C. The Franchisee would like to use the Franchisor’s Marks and System in connection with the development of **ROCKY MOUNTAIN CHOCOLATE FACTORY Stores** at airports throughout the United States, under the terms set forth herein. The Franchisor desires to grant the Franchisee the right to establish and operate such Stores under the terms and conditions which are contained in this Agreement.

The parties therefore agree as follows:

### 1. GRANT OF DEVELOPMENT RIGHTS

**1.1. Development Area.** The Franchisor grants to the Franchisee the right to develop and establish Stores using the Franchisor’s Marks and System in those airports (“**Airports**”) described in Exhibit A attached hereto (the “**Development Area**”). Except as set forth in Section 1.2 below, the Franchisor shall not establish, nor shall it license any other party to establish, Stores using the Marks and System within Airports in the Development Area for so long as this Agreement is in effect.

**1.2. Franchisor’s Reservation of Rights.** The Franchisee acknowledges that the Franchisor reserves the rights, among others: (1) to use and license others to use, the Marks and System for the operation of **ROCKY MOUNTAIN CHOCOLATE FACTORY Stores**, Kiosk Stores and Satellite Stores at any location other than within Airports in the Development Area; (2) to use and license the use of different marks and methods in connection with the sale of products or services similar to those which the Franchisee will sell in its Stores, whether in alternative channels of distribution or in connection with the operation of retail stores selling gourmet chocolates or other premium confectionary products, at any location outside of the Development Area, which businesses are the same as, or different from Stores, on any terms and conditions as the Franchisor determines; and (3) to use the Marks to identify and sell any type of services, products, promotional and marketing efforts or related items made available by the

Franchisor, in its sole discretion, and to identify products and services similar to those which the Franchisee will sell, but made available through alternative channels of distribution (other than Stores), at any location, excluding the Development Area.

**1.3. Franchise Agreement – First Store Developed.** The parties acknowledge that the ROCKY MOUNTAIN CHOCOLATE FACTORY Franchise Agreement dated May 11, 2007 between the parties (“**First Store Agreement**”), attached hereto as Exhibit B and by this reference incorporated herein, will govern the operation of the Franchisee’s first Store to be opened at the Dallas-Ft. Worth International Airport. Unless otherwise defined herein, all defined terms in this Agreement will be defined as set forth in the First Store Agreement, as amended. The parties acknowledge that the First Store Agreement has been amended to include terms negotiated by the Franchisor and the Franchisee and that these terms will be incorporated into all subsequent Franchise Agreements signed by the parties, except for changes set forth in other addenda to those agreements. The Franchisee agrees to comply with the terms and conditions of the First Store Agreement, as amended, as a part of its obligations hereunder and acknowledges that failure to comply with such First Store Agreement is a breach of this Agreement.

**1.4. Franchisor’s Products.** The Franchisor agrees not to offer or license others to offer Factory Candy for retail sale in the Development Area other than through the Franchisee under the terms of this Agreement. In consideration therefor, the Franchisee agrees that RMCF Products will, within 180 days from the date of this Agreement, be the exclusive branded candy sold through Grove Stores. The Franchisee agrees to use point-of-sale marketing that has been approved in advance by the Franchisor to identify the Factory Candy and other RMCF Products offered in Grove Stores. The Franchisee will pay the Franchisor a monthly royalty of \* of its Gross Retail Sales of Factory Candy and other RMCF Products sold in Grove Stores.

## 2. FEES

**2.1. Initial Franchise Fees.** Concurrently with the execution of the First Store Agreement, the Franchisor acknowledges that the Franchisee has paid \*, representing payment in full of the initial franchise fee for the first Store to be developed hereunder. For each subsequent Store developed under this Agreement, an initial franchise fee of \* will be due and payable by the Franchisee on the date the Franchisee signs a Franchise Agreement for a Store in the Development Area.

**2.2. Commissions on Franchised Stores.** If the Franchisee subleases or otherwise obtains a site in an Airport in the Development Area and an approved third-party franchisee signs a lease or sublease for such site and signs a Franchise Agreement for a Store at that site and pays the Franchisor a \* initial franchise fee, the Franchisor will pay the Franchisee a commission equal to one-third of the initial franchise fee received by the Franchisor, within 30 days after the following conditions have been met:

a. The Franchisee provides written notice to the Franchisor 30 days’ prior to the proposed effective date of the lease or sublease and Franchise Agreement, and includes information reasonably detailed to enable the Franchisor to evaluate the terms and conditions of the proposed lease or sublease;

b. The proposed third-party franchisee provides information to the Franchisor sufficient for the Franchisor to assess its business experience, aptitude and financial qualification, including completing an application, and the Franchisor approves the proposed third-party franchisee as qualified to operate a Store;

c. The proposed third-party franchisee completely executes the Franchisor's then-current form of Franchise Agreement, which will not include the negotiated changes that are set forth in the addenda to the First Store Agreement, and pays the initial franchise fee in full;

d. The proposed third-party franchisee agrees to complete the Franchisor's initial training program, which training must be completed to the Franchisor's satisfaction prior to the effectiveness of the lease or sublease and the Franchise Agreement; and

e. All amounts due and owing by the Franchisee to the Franchisor are paid in full.

If all of the conditions listed above are met to the Franchisor's satisfaction, the Franchisee will be entitled to receive a commission equal to one-third of the \* monthly Royalty actually received by the Franchisor from the Store operated by the third-party franchisee, within 15 days after the Franchisor actually receives such Royalty payments. The Franchisee will be entitled to this commission, provided all of the conditions listed above are met to the Franchisor's satisfaction, for the initial term of the third-party franchise agreement. The Franchisee will also be entitled to this commission for any third-party franchise agreements that are in progress at the expiration date of this Agreement, but executed after the expiration date of this Agreement, provided all of the conditions listed above are met to the Franchisor's satisfaction.

**2.3. Royalty Fees.** The Franchisor agrees that it will charge a \* Royalty fee to the Franchisee for the Dallas-Ft. Worth Airport Store and for the next two ROCKY MOUNTAIN CHOCOLATE FACTORY Stores developed by the Franchisee under this Agreement, provided that the Franchisee develops and operates such Stores itself. After three Franchise Agreements have been signed at a \* Royalty fee, the Franchisor will charge a \* Royalty fee for each ROCKY MOUNTAIN CHOCOLATE FACTORY Store developed and operated by the Franchisee thereafter. All of the discounted Royalty fee rates discussed in this Section 2.3 will be effective for only the initial term of a Franchise Agreement and will not apply to any renewal terms.

**2.4. Separate Franchise Agreements.** The parties agree that a separate Franchise Agreement shall be executed for each Store to be developed under this Agreement. The Franchisee's failure to execute any additional Franchise Agreements or its default in any term of such Franchise Agreements may, at the option of the Franchisor, be deemed a default under this Agreement and shall entitle the Franchisor to terminate this Agreement as further provided in Article 3 below. Each Franchise Agreement to be executed by the Franchisee for each Store to be developed hereunder shall be in a form substantially similar to the First Store Agreement, although the Franchisor reserves the right to change the terms of a Franchise Agreement to conform with the then current form of Franchise Agreement being offered to new franchisees of the Franchisor.

**2.5. Store Location.** All Stores developed by the Franchisee under the terms of this Agreement shall be developed in an Airport located in the Development Area.

**2.6. Training and Other Development Assistance.** The Franchisee acknowledges that the Franchisor shall have the right, in the Franchisor's sole discretion, to waive the initial training program, which is the same as the training provided under Section 6.1 of the First Store Agreement, for the second and each subsequent Store developed and operated by the Franchisee under the terms of this Agreement.

### 3. TERM AND TERMINATION

**3.1. Term.** This Agreement shall commence as of the date of execution hereof and shall end 24 months later, regardless of how many Stores have been developed during the term. After expiration of the term, or earlier termination of this Agreement as provided below, the Franchisor shall have the right to establish, or license any other party to establish, Stores anywhere within the Development Area.

**3.2. Termination By Franchisor.** This Agreement may be terminated by the Franchisor on 30 days prior written notice, such notice containing a right to cure such default, if applicable, in the event of any of the following:

- a. If the Franchisee defaults on any term or condition of this Agreement; or
- b. In the event of any occurrence which would entitle the Franchisor to terminate any Franchise Agreement executed in furtherance of this Agreement.

This Agreement shall automatically terminate at the end of such 30-day notice period, unless the Franchisee cures the default set forth in such notice within said 30-day period.

**3.3. Post-Termination Obligations.** In the event of termination of this Agreement for any reason, the Franchisee shall remain subject to the provisions of Article 5 of this Agreement regarding nondisclosure and covenants not to compete, in addition to the terms and conditions of any and all Franchise Agreements executed in furtherance of this Agreement which have not also been terminated.

### 4. ASSIGNMENT

**4.1. Assignment By Franchisor.** The Franchisor may transfer or assign its rights under this Agreement at any time upon notice to the Franchisee, provided that the Franchisor has fulfilled its obligations hereunder or has made adequate provisions therefor.

**4.2. Assignment By Franchisee.** The Franchisee may not sell, transfer or assign its rights under this Agreement, unless the Franchisee obtains the Franchisor's prior written consent, which consent shall not be unreasonably withheld if the Franchisee is in compliance with the terms and conditions of this Agreement and complies with the transfer provisions of the Franchise Agreement most recently executed by the Franchisor and the Franchisee, which provisions shall be deemed to be incorporated herein by reference.

**4.3. Franchisor's Right of First Refusal.** In the event of any proposed sale, gift, transfer or assignment of its rights under this Agreement, the Franchisee agrees to grant the Franchisor a 30-day right of first refusal to purchase such rights on the same terms and conditions as are contained in the most recently executed Franchise Agreement.

### 5. RESTRICTIVE COVENANTS

**5.1. Restrictive Covenants.** During the term and after the termination of this Agreement or any Franchise Agreement signed in furtherance of this Agreement, the Franchisee and its officers, partners, directors, agents or employees who have completed the Franchisor's training programs or had access to the Operations Manual, as described in the Franchise Agreement, and/or the beneficial owners of a majority interest in the Franchisee and their respective immediate families, shall be subject to all restrictive covenants as set forth in the First Store Agreement, and in any Confidentiality and

Noncompetition Agreements executed in conjunction with any Franchise Agreement, which covenants by this reference are incorporated herein.

## 6. BUSINESS RELATIONSHIPS

**6.1. Independent Contractor.** During the term of this Agreement, the Franchisee shall be an independent contractor and shall in no way be considered as an agent, partner or employee of the Franchisor. It is understood and agreed that no agency or partnership is created by this Agreement. As such, the Franchisee has no authority of any nature whatsoever to bind the Franchisor or incur any liability for or on behalf of the Franchisor or to represent itself as anything other than an independent contractor.

**6.2. Indemnification.** The Franchisee shall indemnify and hold harmless the Franchisor and its officers, directors, agents and representatives (the “**Indemnified Parties**”) from all fines, suits, proceedings, claims, demands or actions of any kind or nature, including reasonable attorneys’ fees, from anyone whomsoever, directly or indirectly arising or growing out of, or otherwise connected with the Franchisee’s activities, actions or failure to act, under this Agreement, or the Franchisee’s operation of its Store(s) developed under this Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants’, attorneys’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. The Franchisor shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

## 7. MISCELLANEOUS

**7.1. Disputes.** The parties agree that any dispute between the parties arising out of the terms of this Agreement shall be governed by the applicable provisions of the First Store Agreement, which terms and conditions are by this reference incorporated herein, including without limitation, all provisions relating to governing laws, venue and jurisdiction.

**7.2. Binding Effect.** This Agreement shall be binding upon and inure to the benefit of each of the parties’ respective heirs, successors, assigns and personal representatives.

**7.3. Review.** The Franchisee acknowledges that it had a copy of this Agreement in its possession for a period of time not fewer than 10 full business days, during which time the Franchisee has had the opportunity to submit the same for professional review and advice of the Franchisee’s choosing prior to freely executing this Agreement.

**7.4. No Waiver.** No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by any party hereto shall be considered to imply or constitute a further waiver of the same or any other condition, covenant, right or remedy.

**7.5. Modification.** This Agreement may be modified only upon execution of a written agreement between the parties.

**7.6. Entire Agreement.** This Agreement contains the entire agreement between the parties and supersedes any and all prior agreements, both oral and written, concerning the subject matter hereof, provided that the First Store Agreement, addenda thereto and any other Franchise Agreements executed

by the parties hereto shall remain binding, except to the extent that this Agreement specifically supersedes any term thereof.

**7.7. Invalidity.** If any provision of this Agreement is held invalid by any court of competent jurisdiction in a final decision from which no appeal is or can be taken, such provision shall be deemed modified to eliminate the invalid element and, as so modified, such provision shall be deemed a part of this Agreement as though originally included. The remaining provisions of this Agreement shall not be affected by such modification.

**7.8. Notices.** All notices required to be given under this Agreement shall be given in writing, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, at the addresses first set forth above, or at such other address as either party may designate from time to time by written notice as set forth herein. Notice shall be deemed effective when deposited in the United States mail postage prepaid or when received by overnight delivery, as may be applicable.

**7.9. Attorneys' Fees and Costs.** In the event of any default on the part of either party to this Agreement, in addition to all other remedies, the party in default will pay the aggrieved party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the aggrieved party in any legal action or other proceeding as a result of such default, plus interest at the highest rate allowable by law, accruing from the date of such default.

**7.10. Injunctive Relief.** Nothing herein shall prevent the Franchisor or the Franchisee from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed effective as of the date first above written.

**ROCKY MOUNTAIN CHOCOLATE FACTORY,  
INC.**

Date: July 20, 2007

By: /s/ Bryan Merryman  
Bryan Merryman, Chief Operating Officer

**THE GROVE, INC.**

Date: July 23, 2007

By: /s/ Michelle Dukler  
Its: President

Legend:

\* The material has been omitted pursuant to a request for confidential treatment and such material has been filed separately with the Commission.

**EXHIBIT A**  
**TO AIRPORT DEVELOPMENT AGREEMENT**  
**BETWEEN ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.**  
**AND**  
**THE GROVE, INC.**

The Development Area, as referred to in Section 1.1 of the Area Development Agreement, shall consist of the following airports:

All airports in the United States where there are no ROCKY MOUNTAIN CHOCOLATE FACTORY Stores operating or under development pursuant to the terms of an executed lease, as of the date of this Agreement. The parties acknowledge that ROCKY MOUNTAIN CHOCOLATE FACTORY Stores are currently located in the following airports and therefore, these airports are excluded from the Development Area:

Excluded Airports:

1. Denver International Airport
2. Minneapolis/St. Paul International Airport
3. Charlotte, NC International Airport
4. Salt Lake City, UT International Airport
5. Phoenix, AZ International Airport
6. Philadelphia, PA International Airport

**EXHIBIT B**  
**TO AIRPORT DEVELOPMENT AGREEMENT**  
**BETWEEN ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.**  
**AND**  
**THE GROVE, INC.**

Franchise Agreement dated May 11, 2007 as amended,  
between Rocky Mountain Chocolate Factory, Inc. and The Grove, Inc.

Certification Pursuant To Rules 13a-14(a) And 15d-14(a) Under The Securities Exchange Act Of 1934, As Adopted Pursuant To The Sarbanes-Oxley Act of 2002

I, Franklin E. Crail, certify that:

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

Date: January 8, 2008

/s/ Franklin E. Crail

Franklin E. Crail, President, Chief Executive Officer and  
Chairman of the Board of Directors

Certification Pursuant To Rules 13a-14(a) And 15d-14(a) Under The Securities Exchange Act Of 1934, As Adopted Pursuant To The Sarbanes-Oxley Act of 2002

I, Bryan J. Merryman, certify that:

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

Date: January 8, 2008

/s/ Bryan J. Merryman

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Bryan J. Merryman, Chief Operating Officer,  
Chief Financial Officer, Treasurer and Director

Certification of Chief Executive Officer

CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of Rocky Mountain Chocolate Factory, Inc. (the "Company") on Form 10-Q for the quarterly period ended November 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certifies pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 8, 2008

By /s/ Franklin E. Crail  
Franklin E. Crail, President, Chief Executive Officer  
and Chairman of the Board of Directors

Certification of Chief Financial Officer

CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of Rocky Mountain Chocolate Factory, Inc. (the "Company") on Form 10-Q for the quarterly period ended November 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certifies pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 8, 2008

By /s/ Bryan J. Merryman  
Bryan J. Merryman, Chief Operating Officer, Chief  
Financial Officer, Treasurer and Director