
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 11, 2010

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
(Exact name of registrant as specified in its charter)

Colorado
*(State or other jurisdiction
of incorporation)*

0-14749
*(Commission
File Number)*

84-0910696
*(IRS Employer
Identification No.)*

265 Turner Drive
Durango, Colorado 81303
(Address, including zip code, of principal executive offices)

Registrant's telephone number, including area code: (970) 259-0554

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

The Company has issued a press release concerning its quarter and year ending February 28, 2010. The press release includes information regarding its results of operations and financial condition for the quarter and year, and is furnished as an exhibit to this Form 8-K.

Item 7.01 Regulation FD Disclosure.

The Company has issued a press release announcing a cash dividend and has elected to furnish the press release as an exhibit to this form 8-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Item

Exhibit

99.1

Press Release dated May 11, 2010.

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.

Date: May 11, 2010

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

INDEX TO EXHIBITS

**Item
Number**

Exhibit

99.1

Press Release, dated May 11, 2010

For Immediate Release

**ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. REPORTS
FY2010 REVENUES AND EARNINGS**

FOURTH QUARTER NET INCOME RISES 15% FROM PRIOR-YEAR PERIOD

COMPANY DECLARES FIRST QUARTER CASH DIVIDEND OF \$0.10 PER SHARE

DURANGO, Colorado (May 11, 2010)--Rocky Mountain Chocolate Factory, Inc. (NASDAQ: RMCF) (the "Company"), which franchises gourmet chocolate and confection stores and manufactures an extensive line of premium chocolates and other confectionery products, today reported its operating results for the fourth quarter and fiscal year ended February 28, 2010.

For the twelve months ended February 28, 2010 (FY2010), total revenues declined less than 0.5 percent to approximately \$28.4 million, compared with approximately \$28.5 million in the fiscal year ended February 28, 2009 (FY2009). Same-store sales decreased 2.9 percent during FY2010, when compared with the previous fiscal year. The decline in same-store sales is believed to be due to the economic recession that significantly impacted retailing, in general, and regional shopping mall customer traffic, in particular, throughout the United States. Same-store pounds of products purchased by franchisees from the Company's factory decreased approximately 4.2 percent in FY2010, when compared to FY2009, primarily due to a product mix shift from factory-made products to products made in the stores, such as caramel apples and fudge, along with the decline in same-store retail sales. The Company believes the greater percentage decline in same-store pounds purchased, relative to the decline in same-store sales, was primarily a result of the impact of the recession and difficult credit conditions faced by Rocky Mountain Chocolate Factory's system of franchisee-owned stores.

Total sales at all franchised and Company-owned stores declined 2.0 percent to approximately \$111.0 million in FY2010, versus approximately \$112.3 million in system-wide sales during FY2009.

Net earnings declined 3.7 percent to \$3,580,000 in FY2010, versus \$3,719,000 in FY2009. Basic earnings per share declined 3.2 percent to \$0.60 in the most recent fiscal year, compared with \$0.62 in the previous fiscal year. Diluted earnings per share decreased 3.3 percent to \$0.58 in FY2010, compared with \$0.60 in FY2009.

The decrease in revenue, earnings per share, operating income, and net income in FY2010 compared to FY2009 was due primarily to decreased same store sales, a decrease in the average number of domestic franchise stores in operation and decreased same store pounds purchased by domestic franchise locations.

For the three months ended February 28, 2010, revenues increased 13.6 percent to approximately \$8.8 million, compared with approximately \$7.7 million in the fourth quarter of the previous fiscal year. Same-store sales at franchised retail locations increased 1.4 percent in the fourth quarter of FY2010, while same-store pounds of factory products purchased by franchisees increased approximately 0.3 percent, when compared with the fourth quarter of FY2009.

The Company reported net income of \$1,200,000 in the fourth quarter of FY2010, which represented an increase of 15.4 percent when compared with net income of \$1,040,000 in the fourth quarter of FY2009. Basic earnings per share rose 17.6 percent in the fourth quarter of FY2010 to \$0.20, while diluted earnings per share increased 11.8 percent in the fourth quarter of FY2010 to \$0.19, when compared with \$0.17 and \$0.17, respectively, during the fourth quarter of FY2009.

“We finished our 2010 fiscal year with a strong fourth quarter, as revenues and net income rose 13.6 percent and 15.4 percent, respectively, when compared with the prior-year fourth quarter,” noted Bryan Merryman, Chief Operating Officer and Chief Financial Officer of Rocky Mountain Chocolate Factory, Inc. “While the economic recession negatively impacted sales at our franchised stores for the year as a whole, same-store sales increased in the quarter ended February 28, 2010, for the first time since the quarter ended August 31, 2007. The trend in quarterly domestic same-store sales comparisons as the year progressed was also gratifying, with declines of 6.7 percent in the first quarter, 4.6 percent in the second quarter, and 3.2 percent in the third quarter followed by a 1.5 percent increase in the fourth quarter. While we cannot be certain that this reflects a sustainable turnaround in same-store sales, we are very encouraged by most of the Company’s financial metrics in the final quarter of fiscal 2010. Meanwhile, although net income declined 3.7 percent for the fiscal year, we still generated an after-tax return on beginning shareholders’ equity (ROE) of approximately 27.0 percent – well above the ROE of the typical U.S. corporation.”

“While openings of new Rocky Mountain Chocolate Factory stores by our franchisees declined to 10 in fiscal 2010, due primarily to the contraction in credit available to small business owners, our co-branding relationship with Cold Stone Creamery, Inc. (CSC) has evolved into a business opportunity with impressive potential. To date, 25 stores have either opened or been converted to the Rocky Mountain Chocolate Factory / Cold Stone Creamery co-branded concept, and we have identified several hundred CSC stores that we believe have the potential to be converted in coming years. The increase in cash flow generated by incremental sales at the co-branded stores appears to provide a return on investment sufficient to attract a growing number of CSC franchisees to the co-branding opportunity, and we expect the number of co-branded stores to increase significantly in the current fiscal year. At the end of fiscal 2010, our retail store network consisted of 313 franchised Rocky Mountain Stores, 11 company-owned stores, and 19 stores co-branded with CSC.”

“Despite the recessionary economic climate that has characterized the past two years, we have continued to generate strong cash flows and maintained a very healthy balance sheet,” continued Merryman. “During fiscal 2010, we generated approximately \$5.5 million in net cash from operations. After paying out \$2.4 million in cash dividends, we ended the fiscal year with approximately \$3.7 million of cash in the bank, working capital of \$8.9 million, no outstanding debt, and \$14.7 million in shareholders’ equity.”

“Economic forecasts suggest that a considerable amount of uncertainty still exists within the business community, and for this reason we are not providing specific sales and earnings guidance for the current fiscal year at the present time,” stated Frank Crail, Chairman and Chief Executive Officer of the Company. “However, we are cautiously optimistic regarding the outlook for fiscal 2011, in light of the turnaround in same-store sales that we enjoyed during the quarter ended February 28, 2010, and we remain confident in our business model.”

The Company also announced that its Board of Directors has approved a first quarter cash dividend of \$0.10 per share, to be paid June 11, 2010 to shareholders of record May 27, 2010.

The Company will host a conference call today, Tuesday, May 11, 2010 at 4:15 p.m. EDT to discuss FY2010 results and other topics of interest. To participate in the conference call, please dial 800-860-2442 (international/local participants dial 412-858-4600) approximately five minutes prior to 4:15 p.m. EDT and ask to be connected to the “Rocky Mountain Chocolate Factory Conference Call”. A replay of the conference call will be available one hour after completion of the call until May 18, 2010 at 5:00 pm EDT by dialing 877-344-7529 (international/local participants dial 412-317-0088) and entering conference I.D. # 440296.

Rocky Mountain Chocolate Factory, Inc., headquartered in Durango, Colorado, is an international franchiser of gourmet chocolate and confection stores and a manufacturer of an extensive line of premium chocolates and other confectionery products. The Company's common stock is listed on The Nasdaq Market under the symbol "RMCF".

Certain statements in this press release are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 including statements regarding anticipated new store openings and new and/or converted co-branded stores, and increased year-round customer traffic at our co-branded stores. These statements involve risks and uncertainties, and the Company undertakes no obligation to update any forward-looking information. Risks and uncertainties that could cause cash flows to decrease or actual results to differ materially include, without limitation, seasonality, consumer interest in the Company's products, general economic conditions, consumer and retail trends, costs and availability of raw materials, competition, the success of the Company's agreement with Cold Stone Creamery, Inc. to open co-branded stores, including but not limited to new store openings and other risks. Readers are referred to the Company's periodic reports filed with the SEC, specifically the most recent reports which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements. The information contained in this press release is a statement of the Company's present intentions, beliefs or expectations and is based upon, among other things, the existing business environment, industry conditions, market conditions and prices, the economy in general and the Company's assumptions. The Company may change its intentions, beliefs or expectations at any time and without notice, based upon any changes in such factors, in its assumptions or otherwise. The cautionary statements contained or referred to in this press release should be considered in connection with any subsequent written or oral forward-looking statements that the Company or persons acting on its behalf may issue.

For Further Information, Contact Bryan J. Merryman COO/CFO (970) 259-0554

STORE INFORMATION

| | New stores opened during the twelve months ended <u>February 28, 2010</u> | Stores open as of <u>February 28, 2010</u> |
|-------------------------------|---|---|
| United States: | | |
| Franchise Stores | 10 | 263 |
| Company-owned Stores | 4 | 11 |
| Cold Stone Creamery | 15 | 19 |
| International Licensed Stores | <u>5</u> | <u>50</u> |
| Total | <u>34</u> | <u>343</u> |

STATEMENTS OF INCOME

(in thousands, except per share data)

| | Three Months Ended February 28, | | Three Months Ended February 28, | |
|--|---------------------------------|-----------|---------------------------------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| Revenues | | | | |
| Factory sales | \$ 6,175 | \$ 5,546 | 70.2% | 71.6% |
| Royalty and marketing fees | 1,454 | 1,435 | 16.5% | 18.5% |
| Franchise fees | 120 | 61 | 1.4% | 0.8% |
| Retail sales | 1,051 | 703 | 11.9% | 9.1% |
| Total revenues | 8,800 | 7,745 | 100.0% | 100.0% |
| Costs and Expenses | | | | |
| Cost of sales | 4,703 | 4,096 | 53.5% | 52.9% |
| Franchise costs | 350 | 465 | 4.0% | 6.0% |
| Sales and marketing | 470 | 405 | 5.3% | 5.2% |
| General and administrative | 647 | 704 | 7.4% | 9.1% |
| Retail operating | 590 | 395 | 6.7% | 5.1% |
| Depreciation and amortization | 170 | 177 | 1.9% | 2.3% |
| Total costs and expenses | 6,930 | 6,242 | 78.8% | 80.6% |
| Income from Operations | 1,870 | 1,503 | 21.2% | 19.4% |
| Other Income (Expense) | | | | |
| Interest expense | - | (2) | - | - |
| Interest income | 8 | 4 | 0.1% | 0.1% |
| Other, net | 8 | 2 | 0.1% | 0.1% |
| Income Before Income Taxes | 1,878 | 1,505 | 21.3% | 19.5% |
| Provision for Income Taxes | 678 | 465 | 7.7% | 6.0% |
| Net Income | \$ 1,200 | \$ 1,040 | 13.6% | 13.5% |
| Basic Earnings per Common Share | \$ 0.20 | \$ 0.17 | | |
| Diluted Earnings per Common Share | \$ 0.19 | \$ 0.17 | | |
| Weighted Average Common Shares Outstanding | 6,026,827 | 5,987,415 | | |
| Dilutive Effect of Employee Stock Options | 190,650 | 196,037 | | |
| Weighted Average Common Shares Outstanding, Assuming Dilution | 6,217,477 | 6,183,451 | | |

STATEMENTS OF INCOME
(in thousands, except per share data)
Year ended February 28,

| | 2010 | 2009 | Year ended February 28, 2010 | 2009 |
|--|-----------|-----------|---------------------------------|--------|
| Revenues | | | | |
| Factory sales | \$20,118 | \$20,572 | 70.8% | 72.1% |
| Royalty and marketing fees | 5,288 | 5,627 | 18.6% | 19.7% |
| Franchise fees | 205 | 459 | 0.7% | 1.6% |
| Retail sales | 2,826 | 1,881 | 9.9% | 6.6% |
| Total revenues | 28,437 | 28,539 | 100.0% | 100.0% |
| Costs and Expenses | | | | |
| Cost of sales | 14,911 | 15,077 | 52.4% | 52.8% |
| Franchise costs | 1,499 | 1,719 | 5.3% | 6.0% |
| Sales and marketing | 1,505 | 1,495 | 5.3% | 5.2% |
| General and administrative | 2,422 | 2,562 | 8.5% | 9.0% |
| Retail operating | 1,757 | 1,108 | 6.2% | 3.9% |
| Depreciation and amortization | 699 | 758 | 2.5% | 2.7% |
| Total costs and expenses | 22,793 | 22,719 | 80.2% | 79.6% |
| Income from Operations | 5,644 | 5,820 | 19.8% | 20.4% |
| Other Income (Expense) | | | | |
| Interest expense | - | (16) | 0.1% | 0.1% |
| Interest income | 27 | 21 | 0.1% | 0.1% |
| Other, net | 27 | 5 | | |
| | | | 19.9% | 20.4% |
| Income Before Income Taxes | 5,671 | 5,825 | | |
| Provision for Income Taxes | 2,091 | 2,106 | 7.3% | 7.4% |
| Net Income | \$ 3,580 | \$ 3,719 | 12.6% | 13.0% |
| Basic Earnings per Common Share | \$ 0.60 | \$ 0.62 | | |
| Diluted Earnings per Common Share | \$ 0.58 | \$ 0.60 | | |
| Weighted Average Common Shares Outstanding | 6,012,717 | 5,984,719 | | |
| Dilutive Effect of Employee Stock Options | 197,521 | 172,265 | | |
| Weighted Average common Shares Outstanding, Assuming Dilution | 6,210,238 | 6,157,056 | | |

SELECTED BALANCE SHEET DATA
(in thousands)

| | February 28, 2010 | February 28, 2009 |
|----------------------|-------------------|-------------------|
| Current Assets | \$12,225 | \$10,142 |
| Total assets | \$18,920 | \$16,841 |
| Current Liabilities | \$ 3,294 | \$ 2,771 |
| Stockholders' Equity | \$14,731 | \$13,242 |