ROCKY MOUNTAIN CHOCOLATE FACTORY INC
Form 11-K
August 15, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 11-K

(Mark One)

X ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended February 29, 2012

OR

___TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________to________

Commission file number 0-14749

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Rocky Mountain Chocolate Factory, Inc. 401(k) Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Rocky Mountain Chocolate Factory, Inc.
265 Turner Drive
Durango, CO 81303

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ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. 401(k) PLAN

FORM 11-K

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Plan Administrator and Committee
Rocky Mountain Chocolate Factory, Inc. 401(k) Plan
Durango, Colorado

We have audited the accompanying statements of net assets available for benefits of Rocky Mountain Chocolate Factory, Inc. 401(k) Plan (the "Plan") as of February 29, 2012 and February 28, 2011, and the related statements of changes in net assets available for benefits for the year ended February 29, 2012. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of February 29, 2012 and February 28, 2011, and the statements of changes in net assets available for benefits for the year ended February 29, 2012, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) and the Schedule of Reportable Transactions are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ehrhardt Keefe Steiner & Hottman PC
August 15, 2012
Denver, Colorado

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. 401(k) PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	February 29, 2012	February 28, 2011
Assets		
Investments, at fair value		
Investments in common/collective trust	$841,081	$806,041
Mutual funds	2,168,744	1,966,797
Common stock	1,418,193	1,461,657
Total investments	4,428,018	4,234,495
Receivables		
Employer contributions	39,012	36,095
Participant loans	91,442	77,505
Dividends receivable	-	12,547
Total assets	4,558,472	4,360,642
Liabilities		
Excess contributions	463	8,062
Net assets reflecting all investments at fair value	4,558,009	4,352,580
Adjustment from fair value to contract value for fully benefit responsive investment contracts	(21,502)	-
Net assets available for benefits	$4,536,507	$4,352,580

The accompanying notes are an integral part of these statements.

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ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. 401(k) PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Year Ended February 29, 2012
Investment income (loss)	
Interest and dividends	$70,420
Net depreciation in fair value of investments	(133,052)
Total investment loss	(62,632)
Contributions	
Employer	39,012
Participants	237,490
Total contributions	276,502
Deductions from net assets:	
Benefits paid to participants	29,133
Administrative expenses	810
Total deductions	29,943
Total Increase	183,927
Net assets available for benefits	
Beginning of year	4,352,580
End of year	$4,536,507

The accompanying notes are an integral part of these statements.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF PLAN

General

Rocky Mountain Chocolate Factory, Inc. 401(k) Plan (the "Plan") became effective June 1, 1994. The following description provides only general information and participants should refer to the Plan document for more complete information.

The Plan is a defined contribution plan and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Plan covers all eligible employees of Rocky Mountain Chocolate Factory, Inc. and subsidiary (the "Company").

The Board of Directors of the Company administers the Plan. Wells Fargo Retirement Plan Services, Inc. ("Trustee") serves as trustee, manages Plan assets, and maintains the Plan's records. The Plan offers participants a variety of investment options, including mutual funds, a common/collective trust and Company stock. Individual accounts are invested in the various investment options at the direction of the participants.

Eligibility

An employee becomes eligible to participate in the Plan as of March 1, June 1, September 1, or December 1 subsequent to the employee completing 1,000 hours of service during a twelve consecutive month period beginning on the date of hire and having attained age 21.

Contributions

Participants may elect to contribute a portion of compensation up to the Plan limits. A participant's contribution made by salary deferral, which results in a reduction of taxable income to the participant, was limited by the IRS to $16,500 for fiscal 2012 in accordance with the Internal Revenue Code. If an eligible participant is 50 years of age or older, they may contribute up to $22,000. Participants may also add rollover contributions from other qualified plans.

During the plan year ended February 29, 2012 and February 28, 2011 a total of $463 and $8,062 in employee contributions, in excess of amounts allowed by IRS nondiscrimination rules were made to the Plan by Plan participants. Excess contributions are returned to participants subsequent to year end.

The Plan provides for Company matching contributions equal to 25% of the participant contributions up to 6% of each employee's annual compensation. Also, the Company may make discretionary contributions to the Plan. During fiscal 2012, the Company did not make a discretionary contribution to the Plan. The Company makes its matching and discretionary contributions in a lump sum payment subsequent to the fiscal year end. These contributions are allocated directly to participants' accounts.

Participants' Accounts

Each participant's account is credited or charged with the participant's contribution and an allocation of the Company's contribution, forfeitures, Plan expenses and Plan earnings or losses thereon. Allocations are based upon Plan earnings or losses thereon and account balances, as defined. The benefit to which a participant is entitled is the vested portion of the participant's account.

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NOTE 1 - DESCRIPTION OF PLAN - CONTINUED

Vesting

Participants are 100% vested in their salary deferrals at all times and can withdraw their voluntary contributions from the Plan upon termination of employment. A participant becomes 100% vested in employer contributions after three years of continued service or upon the participant's death, disability or attaining normal retirement age, and become 33% vested after year one, 67% vested after year two, and 100% vested after year three.

Forfeitures

Forfeitures of non-vested balances for terminated employees are used to reduce future Company contributions. No forfeitures were used to reduce the Company's contribution during the year ended February 29, 2012. At February 29, 2012 and February 28, 2011, $76 and $0, respectively, were available to reduce future Company contributions.

Payment of Benefits

In the case of death, disability or retirement, a participant's benefits become payable as soon as administratively feasible. The Plan provides three payment options associated with the distribution of benefits: 1) lump-sum, 2) transfer of benefits to another qualified retirement plan and 3) periodic installments as defined in the Plan agreement. Upon termination for causes other than death, disability or retirement, participants may receive payment of their vested account in a lump sum payment or by rolling over the account. The Plan also allows for payment of benefits for financial hardship. A hardship distribution may be made to satisfy certain immediate and heavy financial needs that a participant may have. Benefit payments are recorded by the Plan when paid.

Administrative Expenses

The Company provides, at no cost to the Plan, certain administrative, accounting and legal services to the Plan and also pays the cost of certain outside services for the Plan. All transaction costs and certain Plan administrative expenses are paid for by the Plan.

Participant Loans

Participants may obtain loans in amounts up to the lesser of 50% of their vested balance or $50,000 for a period not to exceed 5 years unless the proceeds are used to acquire the participant's principal residence. Loans used to acquire real estate that serves as the participant's primary residence may, subject to the Administrator's determination, be repaid over a period longer than five years. The loans are collateralized by the participant accounts. The loans bear interest at a rate determined at the inception of the loan. Interest rates ranged from 5.25% to 10.25% on outstanding loans at February 29, 2012. Loan principal and interest are repaid bi-weekly through payroll deductions and mature between May 2012 and April 2020.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

The financial statements of the Plan have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and in accordance with the Plan agreement. A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The financial statements of the Plan are prepared using the accrual method of accounting.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

The Plan's investments in mutual funds and common stock are stated at fair value as determined by quoted market prices. Common collective trust funds are stated at fair value as determined by the issuer of the common collective trust funds, based on the fair value of the underlying investments. There were no changes to the valuation techniques used during the period.

As of February 29, 2012 and February 28, 2011, the Plan was invested in the Wells Fargo Collective Stable Return Fund ("Stable Return Fund"). The Stable Return Fund is a common/collective trust that is held in the general account of Wells Fargo. The Stable Return Fund invests in fully benefit responsive guaranteed investment contracts.

As described in ASC 946-210-45, Reporting of Fully Benefit-Responsive Investment Contracts, investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is a relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through its common/collective fund. An adjustment of $(21,502) was recorded to the investment to adjust from fair value to contract value at February 29, 2012. No adjustment of the investment from fair value to contract value was made at February 28, 2011, as the difference between contract value and fair value was not material.

The net realized and unrealized investments gain or loss (net appreciation or depreciation in fair value of investments) is reflected in the accompanying Statement of Changes in Net Assets Available for Benefits, and is determined as the difference between market value or contract value at the beginning of the year (or date purchased if during the year) and selling price (if sold during the year) or the year-end market value or contract value. Purchases and sales of securities are recorded on a trade-date basis. Interest is recognized on the accrual method and dividends are recorded on the ex-dividend date.

Risk and Uncertainties

The Plan provides for various investments. Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

Additionally, some investments held by the Plan are invested in the securities of foreign companies, which involve special risks and considerations not typically associated with investing in securities of U.S. companies. These risks include devaluation of currencies, less reliable information about issuers, different securities transaction clearance and settlement practices and possible adverse political and economic developments. Moreover, securities of many foreign companies and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. companies.

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NOTE 2 - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Concentration

At February 29, 2012 and February 28, 2011, approximately 31% and 34% respectively, of Plan assets were invested in Rocky Mountain Chocolate Factory, Inc. common stock. A significant change in the stock price would have a significant effect on the financial statements.

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2010-06, Improving Disclosures about Fair Value Measurements. This update requires additional disclosure of transfers of assets and liabilities between level 1 and level 2 of the fair value hierarchy. It also requires disclosure of activities, on a gross basis, including purchases, sales, issuances, and settlements in the reconciliation of assets and liabilities measured under Level 3 of the fair value hierarchy. In addition, ASU 2010-06 clarifies existing disclosure requirements on levels of disaggregation and disclosures about input and valuation techniques. ASU 2010-06 was effective for periods beginning after December 15, 2009 in regards to the Level 1 and 2 disclosures while the Level 3 disclosures were effective for periods after December 15 2010. The adoption of ASU 2010-06 did not have a material impact on the Plan's financial statements.

NOTE 3 - PLAN AMENDMENT AND INCOME TAX STATUS

The Plan is a qualified benefit plan under Section 401(a) of the Internal Revenue Code and, as such, is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code. The Plan received its determination letter from the Internal Revenue Service on March 31, 2008.

The Plan has since been amended and although the restated Plan has not received a determination letter from the Internal Revenue Service, the Plan's administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code. Thus, no provision for income taxes has been included in the accompanying financial statements.

GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of February 29, 2012 and February 28, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

NOTE 4 - INVESTMENTS

Investments that individually represent 5% or more of the Plan's net assets available for benefit are denoted with an (*) at February 28 or 29:

	2012		2011	
Investments in common/collective trust				
Wells Fargo Stable Return Fund	$841,081	*	$806,041	*
Mutual funds				
American Funds Growth Fund of America	-		378,980	*
American Funds Europacific Growth Fund	276,020	*	264,812	*
JP Morgan Large Cap Growth Select Fund	395,976	*	-	
Wells Fargo Advantage Index	266,878	*	236,294	*
Common stock				
Rocky Mountain Chocolate Factory, Inc.	1,418,193	*	1,461,657	*

During fiscal 2012, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by $(133,052) as follows:

	2012
Investments in common/collective trust	$(7,538)
Mutual funds	2,514
Common stock	(128,028)
	(133,052)

NOTE 5 - RELATED-PARTY TRANSACTIONS

Certain Plan investments are shares of the Company and funds managed by the Trustee. As the Company is the sponsoring entity of the Plan, these transactions, as well as all transactions related to the Trustee, qualify as party-in-interest transactions, which are exempt from the prohibited transaction rules.

NOTE 6 - TERMINATION OF THE PLAN

While the Company has not expressed any intent to discontinue the Plan, it may, by action of the Board of Directors, terminate the Plan subject to the provisions of ERISA. In the event the Plan is terminated, the participants become fully vested in their accounts, and the Plan administrator is to distribute each participant's interest to the participant or their beneficiary.

NOTE 7 - FAIR VALUE ACCOUNTING

The Plan applies Accounting Standards Codification 820, Fair Value Measurements and Disclosures (ASC 820) which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 7 - FAIR VALUE ACCOUNTING - CONTINUED

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Plan's investment assets at fair value, within the fair value hierarchy, as of February 29, 2012 and February 28, 2011 are as follows:

Assets Measured at Fair Values as of February 29, 2012

Description	Level 1	Level 2	Level 3	Total
Investments in common/collective trust	$-	$841,081	$-	$841,081
Mutual funds				
Growth funds	918,376	-	-	918,376
Value funds	278,604	-	-	278,604
Index funds	266,878	-	-	266,878
Target date funds	412,725	-	-	412,725
International funds	136,860	-	-	136,860
Fixed income	155,301	-	-	155,301
Balanced funds	-	-	-	-
Common stock	1,418,193	-	-	1,418,193
Total	$3,586,937	$841,081	$-	$4,428,018

Assets Measured at Fair Values as of February 28, 2011

Description	Level 1	Level 2	Level 3	Total
Investments in common/collective trust	$-	$806,041	$-	$806,041
Mutual funds				
Growth funds	874,732	-	-	874,732
Value funds	249,950	-	-	249,950
Index funds	236,294	-	-	236,294
Target date funds	208,111	-	-	208,111
International funds	159,368	-	-	159,368
Fixed income	129,916	-	-	129,916
Balanced funds	108,426	-	-	108,426
Common stock	1,461,657	-	-	1,461,657
Total	$3,428,454	$806,041	$-	$4,234,495

NOTE 8 – RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

A reconciliation of net assets available for benefit per the financial statements to Form 5500 at February 28 or 29 follows:

	2012	2011
Net assets available for benefit per the accompanying financial statements:	$4,536,507	$4,352,580
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	21,502	-
Net assets available for benefit per Form 5500	$4,558,009	$4,352,580

	Year ended February 29, 2012
Investment loss per the accompanying financial statements	(62,632)
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	21,502
Total investment loss per Form 5500	(41,130)

NOTE 9 – SUBSEQUENT EVENTS

The Company has performed an evaluation of the subsequent events through August 15, 2012, the date the Company issued these financial statements.

Subsequent to February 29, 2012 the terms of enrollment for eligible employees were revised. Beginning in April 2012 employees began automatically contributing to the Plan upon the date of their eligibility for participation. When an employee becomes eligible to participate in the plan they are automatically enrolled at a contribution rate of 3% of eligible compensation and deferrals are invested in a target date fund. Employees may elect to change their contribution rate, change their investment elections, or elect to not participate at any time preceding, or following their date of eligibility.

SUPPLEMENTAL SCHEDULE

SCHEDULE H, PART IV, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

February 29, 2012

EIN: 84-0910696
Plan No. 001

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value		(e) Current value
*	Wells Fargo Stable Return Fund N6	Common/collective trust	$	841,081
*	Wells Fargo Advantage Small Cap Opportunities Fund	Mutual Fund		185,010
*	Wells Fargo Advantage Index Fund	Mutual Fund		266,878
*	Wells Fargo Advantage Total Return Bond	Mutual Fund		155,301
*	Wells Fargo Advantage Dow Jones Target Today Fund	Mutual Fund		32,494
*	Wells Fargo Advantage Dow Jones Target 2010 Fund	Mutual Fund		52,840
*	Wells Fargo Advantage Dow Jones Target 2020 Fund	Mutual Fund		185,582
*	Wells Fargo Advantage Dow Jones Target 2030 Fund	Mutual Fund		40,127
*	Wells Fargo Advantage Dow Jones Target 2040 Fund	Mutual Fund		7,465
*	Wells Fargo Advantage Dow Jones Target 2050 Fund	Mutual Fund		94,217
	American Funds Europacific Growth Fund	Mutual Fund		276,020
	T. Rowe Price Mid Cap Value Fund	Mutual Fund		114,146
	Artisan Mid Cap Fund	Mutual Fund		61,370
	JP Morgan Large Cap Growth Select	Mutual Fund		395,976
	American Beacon Large Cap Value Fund	Mutual Fund		164,458
	T. Rowe Price Emerging Markets Stock Fund	Mutual Fund		136,860
*	Rocky Mountain Chocolate Factory, Inc.	Common Stock		1,418,193
*	Participant loans	Participant loans – interest at 5.25% to 10.25%, maturing from May 2012 to April 2020, collateralized by participant account balances		91,442
	Total		$	4,519,460

* Column (a) indicates a party-in-interest.

SUPPLEMENTAL SCHEDULE

SCHEDULE H, PART IV, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS

February 29, 2012

EIN: 84-0910696
Plan No. 001

(a) Identity of Party Involved	(b) Description of Asset	Number of Transactions	(c) Purchase Price	(d) Selling Price	(g) Cost of Asset	(i) Gain (Loss)
Single transaction which exceeds 5% of net assets available for benefits as of the beginning of the plan year:						
Wells Fargo Bank, N.A.	JP Morgan Large Cap Growth Select		$ 368,578	$ -	$ 368,578	$ -
Wells Fargo Bank, N.A.	American Funds Growth Fund of America		$ -	$ 368,578	$ 341,494	$ 27,084

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. 401(k) PLAN
BY ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. PLAN ADMINISTRATOR

Date: August 15, 2012	/s/ Bryan J. Merryman Bryan J. Merryman, Chief Operating Officer, Chief Financial Officer, Treasurer, Director and Plan Administrator

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference to
23.1	Consent of Independent Registered Public Accounting Firm	Filed herewith.