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

FORM 10-K

(Mark One)

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

For the fiscal year ended February 28, 2026

OR

☐ **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: 001-36865

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

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**47-1535633** (I.R.S. Employer Identification No.)

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

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

Securities Registered Pursuant To Section 12(b) Of The Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	RMCF	The Nasdaq Global Market

Securities Registered Pursuant To Section 12(g) Of The Act: **None**

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the registrant's common stock (based on the closing price as quoted on the Nasdaq Global Market on August 29, 2025, the last business day of the registrant's most recently completed second fiscal quarter) held by non-affiliates was $6,625,531. For purposes of this calculation, shares of common stock beneficially owned by each executive officer and director and by holders of more than 10% of the registrant's outstanding common stock have been excluded since those persons may under certain circumstances be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of May 22, 2026, there were 9,398,826 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement in connection with the 2025 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by reference in Part III of this Annual Report on Form 10-K. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended February 28, 2026.

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FORM 10-K

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Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K (this “Annual Report”) contains statements of our expectations, intentions, plans and beliefs that constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and are intended to come within the safe harbor protection provided by those sections. These forward-looking statements involve various risks and uncertainties. These statements, other than statements of historical fact, included in this Annual 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,” “potential,” “may,” “would,” “could,” “continue,” “likely,” “might,” “seek,” “outlook,” “explore,” or the negative of these terms or other similar expressions. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future including statements regarding future financial and operating results, our business strategy and plans, and our strategic priorities, are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date of this Annual Report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to: inflationary impacts, the outcome of legal proceedings, changes in the confectionery business environment, seasonality, consumer interest in our products, consumer receptiveness to our products internationally, consumer, and retail trends, costs and availability of raw materials, competition, and the success of our co-branding strategy, the success of international expansion efforts, financial covenants in our credit agreements, our ability to maintain adequate working capital, and the effect of government regulations. For a detailed discussion of the risks and uncertainties that may cause our actual results to differ from the forward-looking statements contained herein, please see the section entitled Item 1A. “Risk Factors” of Part I of this Annual Report and as described elsewhere in this Annual Report.

PART I.

ITEM 1. BUSINESS

Our Company

Rocky Mountain Chocolate Factory, Inc., a Delaware corporation, and its subsidiaries, including its operating subsidiary with the same name, Rocky Mountain Chocolate Factory, Inc., a Colorado corporation (“RMCF”) (referred to as the "Company", "Rocky Mountain Chocolate Factory," "we," "us," or "our"), is an international franchisor, confectionery producer and retail operator. Founded in 1981, and headquartered in Durango, Colorado, we produce an extensive line of premium chocolate and other confectionery products. Our revenues and profitability are derived principally from our franchised and licensed system of retail stores that feature chocolate and other confectionery products including gourmet caramel apples. We also sell our confectionery products through select locations outside of our system of retail stores and may license the use of our brand with certain consumer products. As of February 28, 2026, we operated three Company-owned and had 111 licensee-owned and 139 Rocky Mountain Chocolate Factory franchised stores spread across 34 states and the Philippines.

Our principal competitive advantage lies in our brand name recognition, and reputation for the quality, variety and taste of our products. Further, we believe the ambiance of our stores, our expertise in the production of chocolate and confectionery products, the merchandising and marketing of confectionery products, and the control and training infrastructures we have implemented to ensure consistent customer service and execution of successful practices and techniques at our stores provides Rocky Mountain Chocolate Factory with a differentiated franchise offering. In-store product preparation creates a special store ambiance, and the aroma and sight of products being made attracts foot traffic and assures customers that products are fresh.

We believe our production expertise and reputation for quality has facilitated the sale of select products through Specialty Markets. We are currently selling our products in a select number of Specialty Markets, including wholesale, fundraising, corporate sales, e-commerce, and private label (collectively “Specialty Markets”).

Our consolidated revenues in fiscal year ("FY") 2026 were primarily derived from three principal sources: (i) sales to franchisees and other third parties of chocolates and other confectionery products produced by us (71%,76%,74% in 2026, 2025 and 2024 respectively); (ii) sales at Company-owned stores of chocolates and other confectionery products (including products produced by us) (7%, 5%,5%), and (iii) the collection of initial franchise fees, royalties and marketing fees from franchisees (22%,19%,21%). For FY 2026, nearly all of our revenues were derived from domestic sources, with less than 1% derived from international sources. As described below, the Company sold its frozen yogurt business subsequent to the end of FY 2023.

Business Strategy

Our long-term strategic objective is to build upon the solid market position of our brand and high-quality products to create a world-class experience for consumers of premium chocolate and confectionery products, whether in premium confection stores operated by our franchisees or by us, or purchased from us through a variety of other channels. We intend to lead this effort through the delivery of an exceptional store experience and development of category leadership through innovation. To accomplish this objective, we will employ a business strategy that includes the elements set forth below.

Product Quality and Variety

We maintain the gourmet taste and quality of our chocolate products by using the finest chocolate and other wholesome ingredients. We use our proprietary recipes, primarily developed by our master confectionery makers. A typical Rocky Mountain Chocolate Factory store offers approximately 100 of our chocolate products throughout the year, supplemented by limited time offerings, including many packaged products, during holiday seasons. Individual stores also offer numerous varieties of gourmet caramel apples as well as other products prepared in the store from Company recipes. We continue to enhance our product development and innovation capabilities through the Company’s in-house research and development department.

Store Atmosphere and Ambiance

We seek to establish a fun, enjoyable and inviting atmosphere in each of our store locations. Unlike most other confectionery stores, nearly all Rocky Mountain Chocolate Factory stores prepare numerous products, including caramel apples, in the store. In-store preparation is designed to be both fun and entertaining for customers. We believe the in-store preparation and aroma of our products enhances the ambiance at Rocky Mountain Chocolate Factory stores, and conveys an image of freshness and homemade quality. We have been, and are committed to, deploying increased resources to our retail store network to further improve the store experience and enhance profitability.

Site Selection

Careful selection of a new retail site is critical to the success of our stores. We consider many factors in identifying suitable sites, including tenant mix, visibility, attractiveness, accessibility, level of foot traffic and occupancy costs. Final site selection occurs only after our senior management has approved the site.

Increase Same Store Retail Sales at Existing Rocky Mountain Chocolate Factory Stores

We seek to increase profitability of our store system by increasing sales at existing store locations through a combination of offering the optimal product assortment to stores, improving order fulfillment, facilitating increased product availability to stores through streamlined logistics, and providing Company personnel to help franchised locations improve their sales and profitability.

Enhanced Operating Efficiencies

We continue investing in new and more efficient production equipment, as well as rationalizing our portfolio of products and streamlining production lines to reduce labor costs as well as improve product quality, consistency and margin.

Expansion Strategy

We are continually exploring opportunities to grow our brand and expand our business. Key elements of our expansion strategy are set forth below.

Unit Growth

We continue to pursue unit growth opportunities both in locations where we have traditionally been successful and new markets with favorable demographics by improving and expanding our retail store concepts and product portfolio, and targeting high pedestrian traffic environments.

High Traffic Environments

We currently establish franchised stores in the following environments: regional centers, outlet centers, tourist areas, street fronts, airports, and other entertainment-oriented environments. We have established business relationships with most of the major developers in the United States and believe that these relationships provide us with the opportunity to take advantage of attractive sites in new and existing real estate environments.

Multi-unit Operators

We have historically focused our franchise marketing efforts on single unit operators. As we continue to strengthen our brand, expand our product offerings, enhance the in-store experience and improve unit-level economics, we believe we are well positioned to attract multi-unit operators seeking to diversify their franchise portfolios with a premium chocolate concept. We continue to experience meaningful interest in our brand, driven in large part by leased property owners.

Rocky Mountain Chocolate Factory Name Recognition and New Market Penetration

We believe our premium reputation, store visibility and strong foot traffic across many of our locations have contributed to significant brand recognition and demand for Rocky Mountain Chocolate Factory franchises. The

Rocky Mountain Chocolate Factory system currently is concentrated in the western and Rocky Mountain regions of the United States, but growth has generated a gradual easterly momentum as new stores have been opened in the eastern half of the country. We believe this growth has further increased our name recognition and demand for our franchises. We believe that distribution of Rocky Mountain Chocolate Factory products through our Specialty Market business also increases our name recognition and brand awareness in areas of the country in which we have not previously had a significant presence, and we believe it will also improve and benefit our entire store system.

We seek to establish a fun, enjoyable and inviting atmosphere in each of our store locations. Unlike many other confectionery stores, nearly all Rocky Mountain Chocolate Factory stores prepare a variety of products, including caramel apples and fudge, in the store. In-store preparation is designed to be both fun and entertaining for customers, and we believe the in-store preparation and aroma of our products enhance the ambiance at Rocky Mountain Chocolate Factory stores, conveys an image of freshness and homemade quality.

In January 2007, we began testing co-branded locations, such as the co-branded stores with Cold Stone Creamery. Co-branding a location is a vehicle to develop retail environments that would not typically support a stand-alone Rocky Mountain Chocolate Factory store. Co-branding can also be used to more efficiently manage rent structure, payroll and other operating costs in environments that have not historically supported stand-alone Rocky Mountain Chocolate Factory stores. As of February 28, 2026, Cold Stone Creamery franchisees operated 101 co-branded locations, and U-Swirl, Inc. ("SWRL") franchisees operated 10 co-branded locations. As of February 28, 2026, the Company had three international units in operation, all within the Republic of the Philippines.

Products and Packaging

We produce over 200 chocolates and other confectionery products using proprietary recipes developed primarily by our master confectionery makers. These products include many varieties of clusters, caramels, creams, toffees, mints and truffles. These products are offered for sale and also configured into a wide variety of packaged assortments. During the holiday seasons, we make a variety of seasonal items, including many candies offered in packages, which are specifically designed for holidays. A typical Rocky Mountain Chocolate Factory store offers approximately 100 chocolate candies and other confectionery products throughout the year. Individual stores also offer more than a dozen varieties of caramel apples and other products prepared in the store.

In FY 2026, approximately 7% of our Durango plant sales resulted from the sale of products outside of our system of franchised and licensed locations, which we refer to as Specialty Market customers, compared with 16% and 10% of our Durango plant sales resulting from Specialty Market customers in FY 2025 and FY 2024, respectively. See Item 1A “Risk Factors—Risks Specific to Our Company and the Industry in Which We Operate—Our Sales to Specialty Market Customers, Customers Outside Our System of Franchised Stores, Are Concentrated Among a Small Number of Customers.” These products are produced using the same quality ingredients and production processes as the products sold in our network of retail stores.

We use the finest chocolates, nutmeats and other wholesome ingredients in our confectionery products and continually strive to offer new items in order to maintain the excitement and appeal of our offerings. We develop special packaging for the holidays and seasonal offerings, and consumers can have their purchases packaged in decorative boxes throughout the year.

Operating Environment

Rocky Mountain Chocolate Factory

We currently establish Rocky Mountain Chocolate Factory stores in a variety of environments: indoor and outdoor malls, outlet centers, regional centers, tourist areas, street fronts, airports, casinos, resorts and other entertainment-oriented shopping centers. Each of these environments has a number of attractive features, including high levels of foot traffic.

Franchising Program

General

We continue to attract qualified and experienced franchisees, whom we consider to be a vital part of our long-term growth. We believe our relationship with our franchisees is fundamental to the performance of our brand and we strive to maintain a collaborative relationship with our franchisees. Our franchising philosophy is one of service and commitment to our franchise system, and we continuously seek to improve our franchise support services. Our concept has been rated as an outstanding franchise opportunity by publications and organizations rating such opportunities.

Franchisee Sourcing and Selection

The majority of new franchises are awarded to persons referred to us by existing franchisees, to interested consumers who have visited one of our domestic franchise locations and to existing franchisees. We also advertise for new franchisees in national and regional newspapers and online as suitable potential store locations come to our attention. Franchisees are currently approved by a committee of the senior executive team based on a variety of qualifications, including the applicant's net worth and liquidity, financial sophistication, and prior relevant business experience, together with an assessment of work ethic and personality compatibility with our discipline and operating philosophy.

International Franchising and Licensing

International growth is generally achieved through entry into a Master License Agreement covering specific countries, with a licensee that meets minimum qualifications to develop Rocky Mountain Chocolate Factory in that country. License agreements allow the licensee exclusive development rights in a country. Generally, we require an initial license fee and commitment to a development schedule. The initial term of these license agreements are typically ten years.

We currently have an active licensing agreement in the Republic of the Philippines, entered in October 2014 and amended and extended through November 2027. As of February 28, 2026, three units were operating under this agreement.

Co-Branding

In August 2009, we entered into a Master License Agreement with Kahala Franchise Corp. Under the terms of the agreement, select current and future Cold Stone Creamery franchise stores are co-branded with both the Rocky Mountain Chocolate Factory and the Cold Stone Creamery brands. Locations developed or modified under the agreement are subject to the approval of both parties. Locations developed or modified under the agreement will remain franchisees of Cold Stone Creamery and will be licensed to offer the Rocky Mountain Chocolate Factory brand. As of February 28, 2026, Cold Stone Creamery franchisees operated 101 stores under this agreement.

Additionally, we allow SWRL brands to offer Rocky Mountain Chocolate Factory products under terms similar to other co-branding agreements. As of February 28, 2026, there were 10 SWRL cafés offering Rocky Mountain Chocolate Factory products.

Training and Support

Each domestic franchisee owner/operator and each store manager for a domestic franchisee is required to complete a comprehensive training program in store operations and management. We have established a training center at our Durango headquarters in the form of a full-sized replica of a properly configured and merchandised Rocky Mountain Chocolate Factory store. Topics covered in the training course include our philosophy of store operation and management, customer service, merchandising, pricing, cooking, inventory and cost control, quality standards, record keeping, labor scheduling and personnel management. Training is based on standard operating policies and procedures contained in an operations manual provided to all franchisees, which the franchisee is required to follow under the terms of the franchise agreement. Additionally, and importantly, trainees are provided with a complete orientation to our operations by working in key factory operational areas and by meeting with members of our senior management.

Our operating objectives include providing knowledge and expertise in merchandising, marketing and customer service to all front-line store level employees to maximize their skills and ensure that they are fully versed in our operational techniques.

We provide ongoing support to franchisees through our Franchise Business Support Business Consultants ("Business Consultants"), who maintain regular and frequent communication with the stores by phone and semi-annual site visits. The Business Consultants also review and discuss store operating results with the franchisee and provide advice and guidance to increase year over years sales and improve store profitability while developing and executing store local-area marketing and merchandising programs.

Quality Standards and Control

The franchise agreements for Rocky Mountain Chocolate Factory brand franchisees require compliance with our procedures of operation and food quality specifications and permit audits and inspections by us.

Operating standards for Rocky Mountain Chocolate Factory brand stores are set forth in our operations manual. Our operations manual covers general operations, factory ordering, merchandising, advertising and accounting procedures. Through their regular visits to franchised stores, our Business Consultants perform routine performance audits and adherence to our brand standards. We have the right to terminate any franchise agreement for non-compliance with our operating standards. Products sold at the stores and ingredients used in the preparation of products approved for on-site preparation must be purchased from us or an approved supplier.

The Franchise Agreement: Terms and Conditions

The domestic offer and sales of our franchise concepts are made pursuant to the respective franchise disclosure document prepared in accordance with federal and state laws and regulations. States that regulate the sale and operation of franchises require a franchisor to register or file certain notices with the state authorities prior to offering and selling franchises in those states.

Under the current form of our domestic franchise agreements, franchisees pay us (i) an initial franchise fee for each store, (ii) royalties based on monthly gross sales, and (iii) a marketing fee based on monthly gross sales. Franchisees are generally granted exclusive territory with respect to the operation of their stores only in the immediate vicinity of their store(s). Chocolate products not made on premises by franchisees must be purchased from us or an approved supplier. The franchise agreements require franchisees to comply with our procedures of operation and food quality specifications, to permit inspections and audits by us and to remodel stores to conform with standards then in effect. We may terminate the franchise agreement upon the failure of the franchisee to comply with the conditions of the agreement and upon the occurrence of certain events, such as insolvency or bankruptcy of the franchisee or the commission by the franchisee of any unlawful or deceptive practice, which, in our judgment is likely to adversely affect the network system and our brand. Our ability to terminate franchise agreements pursuant to such provisions is subject to applicable bankruptcy and state laws and regulations. See “Regulation” below for additional information.

The agreements prohibit the transfer or assignment of any interest in a franchise without our prior written consent. The agreements also give us a right of first refusal to purchase any interest in a franchise if a proposed transfer would result in a change of control of that franchise. The refusal right, if exercised, would allow us to purchase the interest proposed to be transferred under the same terms and conditions and for the same price as offered by the proposed transferee.

The term of franchise agreements signed before July 1, 2023 is ten years, and franchisees have the right to renew for one additional ten-year term. The term of franchise agreements signed after July 1, 2023 is ten years, and franchisees have the right to renew for two additional five-year terms. Our revised franchise agreement offers a flat royalty payment on all retail stores sales ranging from 6% to as low as 4% based upon the retail sales mix of Durango-produced product sold in comparison to all retail store sales. These terms are only effective with franchise agreements entered into after July 1, 2023 or when a current franchise operator agrees to enter into a new or amended agreement with the Company.

Franchise Financing

We do not typically provide prospective franchisees with financing for their store for new or existing franchises, but we have developed relationships with several sources of franchisee financing to whom we may refer franchisees. Typically, franchisees have obtained their own sources of such financing and have not required our assistance. In the normal course of business, we extend credit to customers, primarily franchisees that satisfy pre-defined credit criteria, for inventory and other operational costs.

In select instances, we have provided limited financing to franchisees. As a result, as of February 28, 2026, we have approximately $0.1 million of notes receivable as a result of financing our franchisees. When we finance franchisees, the notes are secured by the assets financed.

Company Store Operations

As of February 28, 2026, there were three Company-owned Rocky Mountain Chocolate Factory stores. Our flagship store, located in Durango, Colorado, (“Flagship Store”), provides a training ground for Company personnel and a controllable testing ground for new products and promotions, operating and training methods and merchandising techniques, which may then be incorporated into the franchise store operations.

Production Operations

General

We manufacture our chocolate and confectionery products at our production facility in Durango, Colorado. All products are produced consistent with our philosophy of using the finest high-quality ingredients to achieve our marketing motto of “*The Peak of Perfection in Handmade Chocolates®*.”

We have always believed that we should control the production of our own chocolate products. By controlling operations and production, we are able to better maintain our high quality standards, offer unique proprietary products, control production and shipment schedules and potentially pursue new or under-utilized distribution channels that reinforces our slogan *"America's Chocolatier® since 1981."*

Production Processes

The production process primarily involves cooking or preparing confectionery centers, including nuts, caramel, peanut butter, creams and jellies, and then coating them with chocolate or other toppings. All of these processes are conducted in carefully controlled temperature ranges, and we employ strict quality control procedures at every stage of the production process. We use a combination of manual and automated processes at our production facility. Although we believe that it is currently preferable to perform certain production processes, such as the dipping of some large pieces by hand, automation increases the speed and efficiency of the production process. We have, from time-to-time, automated certain processes formerly performed by hand where it has become cost-effective for us to do so without compromising safety, product quality or appearance.

We also seek to ensure the freshness of products sold in Rocky Mountain Chocolate Factory stores with frequent shipments. Most Rocky Mountain Chocolate Factory stores do not have significant space for the storage of inventory, and we encourage franchisees and store managers to order only the quantities that they can reasonably expect to sell within approximately two to four weeks. For these reasons, we generally do not have a significant backlog of orders.

The production and sale of consumer food products is highly regulated. In the U.S., our activities are subject to regulation by various government agencies, including the Food and Drug Administration (“FDA”), the Department of Agriculture, the Federal Trade Commission, the Department of Commerce and the Environmental Protection Agency, as well as various state and local agencies. Similar agencies also regulate our businesses outside of the U.S.

We have a product quality and safety program. This program is integral to our supply chain platform and is intended to ensure that all products we purchase, produce, and distribute are safe, are of high quality and comply with applicable laws and regulations. Through our product quality and safety program, we evaluate our supply chain including ingredients, packaging, processes, products, distribution and the environment to determine where product quality and safety controls are necessary. We follow the FDA mandated Hazard Analysis and Risk-based Preventive Controls which includes a 12-step process to determine risks based on individual processes. To support this hazard analysis model, and in accordance with private and federal mandated requirements, we also adhere to all good manufacturing practices including several supporting policies and procedures that ensure all risks identified are in control. Various government agencies and third-party firms, as well as our quality assurance staff, conduct audits of all facilities that produce our products to ensure effectiveness and compliance with our program and applicable laws and regulations.

Ingredients

The principal ingredients used in our products are chocolate, nuts, sugar, corn syrup, cream and butter. Our production facility receives shipments of ingredients daily. To ensure the consistency of our products, we buy ingredients from a limited number of reliable suppliers. In order to ensure a continuous supply of chocolate and certain nuts, we frequently enter into purchase contracts of between five to 12 months for these products. Major suppliers include Guittard Chocolate Company, Barry Callebaut, Batory Sweetener Solutions, Chase Pecan LP and Blue Diamond. Because prices for these products may fluctuate, we may benefit if prices rise during the terms of these contracts, but we may be required to pay above-market prices if prices fall. We have one or more alternative sources for most essential ingredients and therefore believe that the loss of any one supplier would not have a material adverse effect on our business or results of operations. We currently purchase small amounts of finished confectionery from third parties on a private label basis for sale in Rocky Mountain Chocolate Factory stores. As a result of recent macro-economic inflationary trends, tariffs and disruptions to the global supply chain, we have experienced and may continue to experience higher raw material, labor and freight costs.

Trucking Operations

We operate six trucks and ship a substantial portion of our products from the production facility on our own fleet. Our trucking operations enable us to deliver our products to the stores quickly and cost-effectively. In addition, we back-haul many of our own ingredients and supplies, as well as products from third parties, on return trips, which helps achieve even greater efficiencies and cost savings.

Marketing

General

We rely primarily on in-store promotion and point-of-purchase materials to promote the sale of our products. The monthly marketing fees collected from franchisees are used by us to develop new packaging and in-store promotion and point-of-purchase materials, and to create and update our local store marketing guides and materials.

We focus on local store marketing efforts by providing customizable marketing materials, including advertisements, coupons, flyers and brochures generated by our in-house Creative Services department. The department works directly with franchisees to implement local store marketing programs.

We have not historically, and do not intend to, engage in national traditional media advertising in the near future. Consistent with our commitment to community support, we seek opportunities to participate in local and regional events, sponsorships and charitable causes. This support leverages low-cost, high-return publicity opportunities for mutual gain partnerships.

Internet and Social Media

We've initiated a program to leverage the marketing benefits of various social media outlets. These lower-cost marketing opportunities leverage the positive feedback of our customers, expanding brand awareness through a customer's network of contacts. Complementary to local store marketing efforts, these networks also provide a medium for us to communicate regularly with customers. When possible, we work to facilitate direct relationships between our franchisees and their customers. We use social media as a tool to build brand recognition, increase repeat exposure, and enhance dialogue with consumers about their preferences and needs. The majority of stores have location-specific Facebook® and Instagram® accounts dedicated to helping customers interact directly with their local store. Proceeds from the monthly marketing fees collected from franchisees are used by us to facilitate and assist franchisees in managing their online presence consistent with our brand and marketing efforts.

Competition

The retailing of confectionery products is highly competitive. We and our franchisees compete with numerous businesses that offer products similar to those offered by our retail stores and Specialty Markets. Competitors may have greater name recognition and more financial, marketing and other resources. In addition, there is intense competition among retailers for attractive commercial real estate sites suitable for Rocky Mountain Chocolate Factory franchise store locations, store personnel and qualified franchisees.

We believe that our principal competitive strengths lie in our name recognition and our reputation for the quality, value, variety and taste of our products and the ambiance in our stores; our knowledge and experience in applying criteria for the selection of new store locations; our expertise in merchandising and marketing of chocolate and other confectionery products; and the control and training infrastructures we have implemented to ensure execution of successful practices and techniques at our retail store locations. In addition, by controlling the production of our own confectionery products, we can better maintain our high product quality standards for those products, offer proprietary products, manage costs, control production and shipment schedules and pursue new or under-utilized distribution channels.

Trade Name and Trademarks

The trade name "*Rocky Mountain Chocolate Factory®*," the phrases, "*The Peak of Perfection in Handmade Chocolates®*", "*America's Chocolatier®*" as well as all other trademarks, service marks, symbols, slogans, emblems, logos and designs used in the Rocky Mountain Chocolate Factory system, are our proprietary rights. We believe all of the foregoing are of material importance to our business. The trademark "Rocky Mountain Chocolate Factory" is registered in the United States and Canada. Applications to register the Rocky Mountain Chocolate Factory trademark have been filed and/or obtained in certain foreign countries.

We have not attempted to obtain patent protection for the proprietary recipes developed by our master confectionery makers and instead rely upon our ability to maintain the confidentiality of those recipes.

Environmental Matters

We are not aware of any federal, state, local or international environmental laws or regulations that we expect to materially affect our earnings or competitive position or result in material capital expenditures. However, we cannot predict the effect of possible future environmental legislation or regulations on our operations. During FY 2026, we had no material environmental compliance-related capital expenditures, and no such material expenditures are anticipated in FY 2027.

Seasonal Factors

Our sales and earnings are somewhat seasonal, with higher sales and earnings occurring during key holidays, such as Christmas, Easter and Valentine's Day, and the U.S. summer vacation season, which may cause fluctuations in our quarterly results of operations. In addition, quarterly results have been, and in the future are likely to be, affected by the timing of new store openings, the sale of franchises and the timing of purchases by customers outside our network of franchised locations. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved in other quarters or for a full fiscal year.

Regulation

Our three current Company-owned and other franchised Rocky Mountain Chocolate Factory stores are subject to licensing and regulation by the health, sanitation, safety, building and fire agencies in the state or municipality where located. Difficulties or failures in obtaining the required licensing or approvals could delay or prevent the opening of new stores. New stores must also comply with landlord and developer criteria.

Many states have laws regulating franchise operations, including registration and disclosure requirements in the offer and sale of franchises. We are also subject to the Federal Trade Commission regulations relating to disclosure requirements in the sale of franchises and ongoing disclosure obligations.

Additionally, certain states have enacted, and others may enact, laws and regulations governing the termination or non-renewal of franchises and other aspects of the franchise relationship that are intended to protect franchisees, including among other things, limitations on the duration and scope of non-competition provisions applicable to franchisees. Although these laws and regulations, and related court decisions, may limit our ability to terminate franchises and alter franchise agreements, we do not believe that such laws or decisions will have a material adverse effect on our franchise operations. However, the laws applicable to franchise operations and relationships continue to develop, and we are unable to predict the effect on our intended operations of additional requirements or restrictions that may be enacted or of court decisions that may be adverse to franchisors.

Federal and state environmental regulations have not had a material impact on our operations but more stringent and varied requirements of local governmental bodies with respect to zoning, land use and environmental factors could delay the construction of new stores, increase our capital expenditures and thereby decrease our earnings and negatively impact our competitive position.

Companies engaged in the production, packaging and distribution of food products are subject to extensive regulation by various governmental agencies. A finding of failure to comply with one or more regulations could result in the imposition of sanctions, including the closing of all or a portion of our facilities for an indeterminate period of time. Our product labeling is subject to and complies with the Nutrition Labeling and Education Act of 1990 and the Food Allergen Labeling and Consumer Protection Act of 2004.

We provide a limited amount of trucking services to third parties to fill available space on our trucks. Our trucking operations are subject to various federal and state regulations, including regulations of the Federal Highway Administration and other federal and state agencies applicable to motor carriers, safety requirements of the Department of Transportation relating to interstate transportation and federal and state regulations governing matters such as vehicle weight and dimensions.

We believe that we are operating in substantial compliance with all applicable laws and regulations.

Human Capital Resources

As of February 28, 2026, we employed approximately 160 people, including 130 full-time employees. Most employees, with the exception of store management, production management and corporate management, are paid on an hourly basis. We also employ some individuals on a temporary basis during peak periods of store and factory operations. We seek to ensure that participatory management processes, mutual respect and professionalism and high-performance expectations for the employees exist throughout the organization. We believe that we provide working conditions, wages and benefits that compare favorably with those of our competitors. Our employees are not covered by a collective bargaining agreement. We consider our employee relations to be good.

Our franchisees are independent business owners, their employees are not our employees and therefore are not included in our employee count.

Labor and Supply Chain

As a result of recent macroeconomic inflationary trends, including tariffs, and disruptions to the global supply chain, we have experienced and expect to continue experiencing higher raw material, labor, and freight costs. We have experienced labor and logistics challenges, which we believe have contributed to lower production facility, retail, and e-commerce sales of our products due to the availability of material, labor, and freight. In addition, we could experience additional lost sales opportunities if our products are not available for purchase as a result of disruptions in our supply chain relating to an inability to obtain ingredients or packaging, labor challenges at our logistics providers or our production facility, or if we or our franchisees experience delays in stocking our products. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a discussion of recent business developments.

Our principal executive offices are located at 265 Turner Drive, Durango, Colorado 81303, and our telephone number is (970) 259-0554. We have retail store locations throughout the United States and the Philippines. Our website address is www.rmcf.com. Information contained on or accessible through our websites is neither a part of this Annual Report nor incorporated by reference herein.

Ethics and Governance

We have adopted the Rocky Mountain Chocolate Factory Code of Conduct, which qualifies as a code of ethics under Item 406 of Regulation S-K. The code applies to all of our employees, officers, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions, and directors. Our Code of Conduct is available free of charge on our website at https://ir.rmcf.com/corporate-governance/governance-documents. We will disclose any waiver we grant to an executive officer or director under our code of ethics, or certain amendments to the Code of Conduct, on our website.

In addition, we have adopted Code of Ethics for Senior Financial Officers, charters for each of the Board's three standing committees and the Whistleblower/Complaint Procedures for Accounting and Auditing Matters. All of these materials are available on our web site at https://ir.rmcf.com/corporate-governance/governance-documents.

Available Information

The Internet address of our website is https://www.rmcf.com. Additional websites specific to our franchise opportunities and investor relations are https://ownarockymountainchocolatefactory.com, www.sweetfranchise.com and https://ir.rmcf.com, respectively.

We file or furnish annual, quarterly and current reports, proxy statements and other information with the United States Securities and Exchange Commission ("SEC"). We make available free of charge, through our Internet website, our Annual Report, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC also maintains a website that contains these reports, proxy and information statements and other information that can be accessed, free of charge, at www.sec.gov. The contents of our websites are not incorporated into, and should not be considered a part of, this Annual Report.

We announce material information to the public about us and our business through a variety of means, including filings with the SEC, press releases, public conference calls, webcasts, the investor relations section of our website (https://ir.rmcf.com) in order to achieve broad, non-exclusionary distribution of information to the public and for complying with our disclosure obligations under Regulation FD. The contents of our websites and corporate reports mentioned herein are not incorporated by reference into this Annual Report or in any other report or document we file with the SEC, and any references to our websites or the contents of our websites are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

Our business, results of operations and financial position are subject to various risks, including those discussed below, which may affect the value of our common stock. The following risk factors, which we believe represent the most significant factors that may make an investment in our common stock risky, may cause our actual results to differ materially from those projected in any forward-looking statement. You should carefully consider these factors, as well as the other information contained in this Annual Report, including the information set forth in "Cautionary Note Regarding Forward-Looking Statements" and "Management's Discussion and Analysis of Results of Operations and Financial Position," when evaluating an investment in our common stock.

Risks Specific to Our Company and the Industry in Which We Operate

Our Sales To Specialty Market Customers, Customers Outside Our System Of Franchised Stores, Are Concentrated Among A Small Number Of Customers.

The Company has historically sold its product to relatively few customers outside its network of franchised and licensed locations (Specialty Market customers).

During FY 2026 our sales to Specialty Market customers were approximately $1.3 million or 5% of our total revenue.

The Divestiture Of Our U-Swirl Business May Have Material Adverse Effects On Our Financial Condition, Results Of Operations Or Cash Flows.

In May 2023, subsequent to our fiscal year-end, we announced that we had completed the sale of substantially all of the assets of U-Swirl, our wholly owned subsidiary and frozen yogurt business. The consummation of the sale of the U-Swirl business involves risks, including retention of uncertain contingent liabilities related to the divested business which could result in a material adverse effect to our financial condition, results of operations or cash flows. We cannot be certain that we will be successful in managing these or any other significant risks that we encounter as a result of divesting the U-Swirl business.

Our Growth Is Dependent Upon Attracting And Retaining Qualified Franchisees And Their Ability To Operate Their Franchised Stores Successfully.

Our continued growth and success are dependent in part upon our ability to attract, retain and contract with qualified franchisees. Our growth is dependent upon the ability of franchisees to operate their stores successfully, promote and develop our store concepts, and maintain our reputation for an enjoyable in-store experience and high-quality products. Although we have established criteria to evaluate prospective franchisees and have been successful in attracting franchisees, there can be no assurance that franchisees will be able to operate successfully in their franchise areas in a manner consistent with our concepts and standards. As a result, we may realize a reduction in number of units in operation or fail to achieve our opening targets.

Increases In Costs Could Adversely Affect Our Operations.

Inflationary factors such as increases in the costs of raw materials and labor directly affect our operations. Most of our leases provide for cost-of-living adjustments and require us to pay taxes, insurance and maintenance expenses, all of which are subject to inflation. Additionally, our future lease costs for new facilities may reflect potentially escalating costs of real estate and construction. There is no assurance that we will be able to pass on our increased costs to our customers or that our customers will continue to purchase at historical levels in the event that we pass along cost increases in the form of higher prices. If we are unable to pass along cost increases, we may realize a decrease in gross margin on products we sell and produce.

Price Increases May Not Be Sufficient To Offset Cost Increases And Maintain Profitability Or May Result In Sales Volume Declines Associated With Pricing Elasticity.

We may be able to pass some or all raw material and other input cost increases to customers by increasing the selling prices of our products, however, higher product prices may also result in a reduction in sales volume and/or consumption. If we are not able to increase our selling prices sufficiently, or in a timely manner, to offset increased raw material or other input costs, including packaging, direct labor, overhead and employee benefits, or if our sales volume decreases significantly, there could be a negative impact on our financial condition and results of operations.

Our Expansion Plans Are Dependent On The Availability Of Suitable Sites For Franchised Stores At Reasonable Occupancy Costs.

Our expansion plans are dependent on our ability to obtain suitable sites for franchised stores at reasonable occupancy costs for our franchised stores in high foot traffic retail environments. There is no assurance that we will be able to obtain suitable locations for our franchised stores at a cost that will allow such stores to be economically viable.

Same Store Sales Have Fluctuated and Will Continue to Fluctuate.

Our same store sales, defined as year-over-year sales for a store that has been open for at least one year, have fluctuated in the past on an annual and quarterly basis and are expected to continue to fluctuate in the future. Sustained declines in same store sales or significant same store sales declines in any single period could have a material adverse effect on our results of operations. For example, same store sales declines could occur as a result of widespread operational disruptions or reduced consumer traffic across many locations, including impacts from labor shortages, supply chain constraints, and inflationary pressures affecting discretionary spending. If same-store sales decline in the future, we may experience a decrease in demand for products we sell and a decrease in revenue from royalty and marketing fees.

Higher Labor Costs, Increased Competition For Qualified Team Members And Ensuring Adequate Staffing Increases The Cost Of Doing Business. Additionally, Changes In Employment And Labor Laws, Including Health Care Legislation And Minimum Wage Increases, Could Increase Costs For Our System-Wide Operations.

Our success depends in part on our and our franchisees' ability to recruit, motivate, train and retain a qualified workforce to work in stores in a competitive environment. We and our franchisees have experienced, and could continue to experience, a shortage of labor for stores positions due to job market trends and conditions, which could decrease the pool of available qualified talent for key functions. Our ability to attract and retain hourly employees in our stores and factory has been impacted by these trends and conditions, and we expect staffing and labor challenges to continue into FY 2027. Increased costs associated with recruiting, motivating and retaining qualified employees to work in the Company-owned stores, franchised stores and our production facility have had, and may in the future have, a negative impact on our Company-owned store and production margins and the margins of franchised stores. Competition for qualified drivers for both our stores and supply-chain function also continues to increase as more companies compete for drivers or enter the delivery space, including third party aggregators. Additionally, economic actions, such as boycotts, protests, work stoppages or campaigns by labor organizations, could adversely affect us (including our ability to recruit and retain talent) or our franchisees and suppliers. Social media may be used to foster negative perceptions of employment with our Company in particular or in our industry generally, and to promote strikes or boycotts.

We are also subject to federal, state and foreign laws governing such matters as minimum wage requirements, overtime compensation, benefits, working conditions, citizenship requirements and discrimination and family and medical leave and employee related litigation. Labor costs and labor-related benefits are primary components in the cost of operation. Labor shortages, increased employee turnover and health care mandates could increase our system-wide labor costs.

A significant number of hourly personnel are paid at rates at or above the federal and state minimum wage requirements. Accordingly, the enactment of additional state or local minimum wage increases above federal wage rates or regulations related to exempt employees has increased and could continue to increase labor costs for our domestic system-wide operations. A significant increase in the federal minimum wage requirement could adversely impact our financial condition and results of operations.

The Seasonality Of Our Sales And New Store Openings Can Have A Significant Impact On Our Financial Results From Quarter To Quarter.

Our sales and earnings are seasonal, with higher sales and earnings occurring during holidays and summer vacation season. This seasonality causes fluctuations in our quarterly results of operations. In addition, quarterly results have been, and in the future are likely to be, affected by the timing of new store openings and the sale of franchises. Because of the seasonality of our business and the impact of new store openings and sales of franchises, results for any quarter are not necessarily indicative of the results that may be achieved in other quarters or for a full fiscal year.

The Retailing Of Confectionery Products Is Highly Competitive And Many Of Our Competitors Have Competitive Advantages Over Us.

The retailing of confectionery products is highly competitive. We and our franchisees compete with numerous businesses that offer similar products. Many of these competitors may have greater name recognition and financial, marketing and other resources than we do. In addition, there is intense competition among retailers for real estate sites, store personnel and qualified franchisees. Competitive market conditions could have a material adverse effect on us and our results of operations and our ability to expand successfully.

Changes In Consumer Tastes And Trends Could Have A Material Adverse Effect On Our Operations.

The sale of our products is affected by changes in consumer tastes and health concerns, including views regarding the consumption of chocolate. Numerous other factors that we cannot control, such as economic conditions, demographic trends, traffic patterns and weather conditions, influence the sale of our products. Changes in any of these factors could have a material adverse effect on us and our results of operations.

We Are Subject To Federal, State And Local Regulations.

We are subject to regulation by the Federal Trade Commission and must comply with certain state laws governing the offer, sale and termination of franchises and the refusal to renew franchises. Many state laws also regulate substantive aspects of the franchisor-franchisee relationship by, for example, requiring the franchisor to deal with its franchisees in good faith, prohibiting interference with the right of free association among franchisees and regulating discrimination among franchisees in charges, royalties or fees. Franchise laws continue to develop and change, and changes in such laws could impose additional costs and burdens on franchisors. Our failure to obtain approvals to sell franchises and the adoption of new franchise laws, or changes in existing laws, could have a material adverse effect on us and our results of operations.

Each of our Company-owned and franchised stores is subject to licensing and regulation by the health, sanitation, safety, building and fire agencies in the state or municipality where located. Difficulties or failures in obtaining required licenses or approvals from such agencies could delay or prevent the opening of a new store. We and our franchisees are also subject to laws governing our relationships with employees, including minimum wage requirements, overtime, working and safety conditions and citizenship requirements. Because a significant number of our employees are paid at rates related to the state minimum wage, increases in the minimum wage would increase our labor costs. The failure to obtain required licenses or approvals, or an increase in the minimum wage rate, employee benefits costs (including costs associated with mandated health insurance coverage) or other costs associated with employees, could have a material adverse effect on us and our results of operations.

Companies engaged in the production, packaging and distribution of food products are subject to extensive regulation by various governmental agencies. A finding of failure to comply with one or more regulations could result in the imposition of sanctions, including the closing of all or a portion of our facilities for an indeterminate period of time, and could have a material adverse effect on us and our results of operations.

Information Technology System Failures, Breaches Of Our Network Security Or Inability To Upgrade Or Expand Our Technological Capabilities Could Interrupt Our Operations And Adversely Affect Our Business.

We and our franchisees rely on our computer systems and network infrastructure across our operations, including point-of-sale (POS) processing at our stores. Our and our franchisees' operations depend upon our and our franchisees' ability to protect our computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external cybersecurity breaches, viruses and other disruptive problems. Any damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could have a material adverse effect on our business and subject us or our franchisees to litigation or to actions by regulatory authorities. Furthermore, the importance of such information technology systems and networks increased in FY 2021 and continued and will continue into FY 2026 and beyond.

A party who is able to compromise the security measures on our networks or the security of our infrastructure could, among other things, misappropriate our proprietary information and the personal information of our customers and employees, cause interruptions or malfunctions in our or our franchisee's operations, cause delays or interruptions to our ability to operate, cause us to breach our legal, regulatory or contractual obligations, create an inability to access or rely upon critical business records or cause other disruptions in our operations. These breaches may result from human errors, equipment failure, fraud, or malice on the part of employees or third parties.

We expend financial resources to protect against such threats and may be required to further expend financial resources to alleviate problems caused by physical, electronic, and cyber security breaches. As techniques used to breach security are growing in frequency and sophistication and are generally not recognized until launched against a target, regardless of our expenditures and protection efforts, we may not be able to implement security measures in a timely manner or, if and when implemented, these measures could be circumvented. Any breaches that may occur could expose us to an increased risk of lawsuits, loss of existing or potential future customers, harm to our reputation and increases in our security costs, which could have a material adverse effect on our financial performance and operating results.

In the event of a breach resulting in loss of data, such as personally identifiable information or other such data protected by data privacy or other laws, we may be liable for damages, fines and penalties for such losses under applicable regulatory frameworks despite not handling the data. Further, the regulatory framework around data custody, data privacy and breaches varies by jurisdiction and is an evolving area of law. We may not be able to limit our liability or damages in the event of such a loss.

We are continuing to invest in and expand, upgrade and develop our information technology capabilities, including enterprise resource planning (ERP) software and point-of-sale (POS) systems, as well as the adoption of cloud services for e-mail, intranet, and file storage. If we are unable to successfully upgrade or expand our technological capabilities, or if these systems do not operate as intended, we may not be able to take advantage of market opportunities, manage our costs and transactional data effectively, satisfy customer requirements, execute our business plan or respond to competitive pressures. Additionally, unforeseen problems with our ERP or POS systems may affect our operational abilities and internal controls and we may incur additional costs in connection with our ERP or POS systems.

If We, Our Business Partners, Or Our Franchisees Are Unable To Protect Our Customers' Data, We Could Be Exposed To Data Loss, Litigation, Liability And Reputational Damage.

In connection with credit and debit card sales, we and our franchisees transmit confidential credit and debit card information by way of secure private retail networks. A number of retailers have experienced actual or potential security breaches in which credit and debit card information may have been stolen. Although we and our franchisees use private networks, third parties may have the technology or know-how to breach the security of the customer information transmitted in connection with credit and debit card sales, and our and our franchisees' security measures and those of our and our franchisees' technology vendors may not effectively prohibit others from obtaining improper access to this information. If a person were able to circumvent these security measures, he or she could destroy or steal valuable information or disrupt our and our franchisees' operations. Any security breach could expose us and our franchisees to risks of data loss and liability and could seriously disrupt our and our franchisees' operations and any resulting negative publicity could significantly harm our reputation. We may also be subject to lawsuits or other proceedings in the future relating to these types of incidents. Proceedings related to the theft of credit and debit card information may be brought by payment card providers, banks, and credit unions that issue cards, cardholders (either individually or as part of a class action lawsuit), and federal and state regulators. Any such proceedings could harm our reputation, distract our management team members from running our business and cause us to incur significant unplanned liabilities, losses and expenses.

We also sell and accept for payment gift cards, and our customer loyalty program provides rewards that can be redeemed for purchases. Like credit and debit cards, gift cards and rewards earned by our customers are vulnerable to theft, whether physical or electronic. We believe that, due to their electronic nature, rewards earned through our customer loyalty program are primarily vulnerable to hacking. Customers affected by any loss of data or funds could litigate against us, and security breaches or even unsuccessful attempts at hacking could harm our reputation, and guarding against or responding to hacks could require significant time and resources.

We also receive and maintain certain personal information about our customers, including information received through our marketing programs, franchisees and business partners. Our collection, storage, handling, use, disclosure and security of this information is regulated by U.S. federal, state and local and foreign laws and regulations. If our security and information systems are compromised or our employees fail to comply with these laws and regulations and this information is obtained by unauthorized persons or used inappropriately, it could adversely affect our reputation, as well as the results of operations, and could result in litigation against us or the imposition of penalties. In addition, our ability to accept credit and debit cards as payment in our stores and online depends on us maintaining our compliance status with standards set by the PCI Security Standards Council. These standards, set by a consortium of the major credit card companies, require certain levels of system security and procedures to protect our customers' credit and debit card information as well as other personal information. Privacy and information security laws and regulations change over time, and compliance with those changes may result in cost increases due to necessary system and process changes.

We Are Subject To Periodic Litigation, Which Could Result In Unexpected Expenses Of Time And Resources.

From time to time, we are called upon to defend ourselves against lawsuits relating to our business. Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome in any current or future legal proceedings could have an adverse impact on our business, and financial results. In addition, any significant litigation in the future, regardless of its merits, could divert management's attention from our operations and result in substantial legal fees. Any litigation could result in substantial costs and a diversion of management's attention and resources that are needed to successfully run our business.

Changes In Health Benefit Claims And Healthcare Reform Legislation Could Have A Material Adverse Effect On Our Operations.

We accrue for costs to provide self-insured benefits for our employee health benefits program. We accrue for self-insured health benefits based on historical claims experience and we maintain insurance coverage to prevent financial losses from catastrophic health benefit claims. We monitor pending and enacted legislation in an effort to evaluate the effects of such legislation upon our business. Our financial position or results of operations could be materially adversely impacted should we experience a material increase in claims costs or a change in healthcare legislation that impacts our business.

Our Expansion Into New Markets May Present Increased Risks Due To Our Unfamiliarity With Those Areas And Our Target Customers' Unfamiliarity With Our Brands.

Consumers in any new markets we enter will not be familiar with our brands, and we will need to build brand awareness in those markets through significant investments in advertising and promotional activity. We may find it more difficult in new markets to secure desirable locations and to hire, motivate and keep qualified employees.

Issues Or Concerns Related To The Quality And Safety Of Our Products, Ingredients Or Packaging Could Cause A Product Recall And/Or Result In Harm To The Company's Reputation, Negatively Impacting Our Results Of Operations.

In order to sell our products, we need to maintain a good reputation with our customers and consumers. Issues related to the quality and safety of our products, ingredients or packaging could jeopardize our Company's image and reputation. Negative publicity related to these types of concerns, or related to product contamination or product tampering, whether valid or not, could decrease demand for our products or cause production and delivery disruptions. We may need to recall products if any of our products become unfit for consumption. In addition, we could potentially be subject to litigation or government actions, which could result in payments of fines or damages. Costs associated with these potential actions could negatively affect our results of operations.

Our Financial Results May Be Adversely Impacted By The Failure To Successfully Execute Or Integrate Acquisitions, Divestitures And Joint Ventures.

From time to time, we may evaluate potential acquisitions (including of individual stores), divestitures or joint ventures that align with our strategic objectives. The success of such activity depends, in part, upon our ability to identify suitable buyers, sellers or business partners; perform effective assessments prior to contract execution; negotiate contract terms; and, if applicable, obtain government approval. These activities may present certain financial, managerial, staffing and talent, and operational risks, including diversion of management's attention from existing core businesses; difficulties integrating or separating businesses from existing operations; and challenges presented by acquisitions or joint ventures which may not achieve sales levels and profitability that justify the investments made. If the acquisitions, divestitures or joint ventures are not successfully implemented or completed, there could be a negative impact on our results of operations.

Provisions In Our Organizational Documents, As Well As Provisions Of Delaware Law, Could Make It More Difficult Or Costly For A Third Party To Acquire Us, Even If Doing So Would Benefit Our Stockholders, And Could Limit Attempts To Make Changes In Our Management.

Our amended and restated certificate of incorporation and bylaws, as well as Delaware law, contain provisions that could make it more difficult for a third party to acquire us without the consent of our Board of Directors. These provisions include the following:

- Authorize the issuance of "blank check" preferred stock, which is preferred stock with voting or other rights or preferences that could impede a takeover attempt and that the Board of Directors can create and issue without prior stockholder approval;
- Establish advance notice requirements for submitting nominations for election to the Board of Directors and for proposing matters that can be acted upon by stockholders at a meeting;
- Prohibit stockholder actions by written consent, which means all stockholder actions must be taken at a meeting of our stockholders; and
- Require super-majority voting to amend some provisions in our certificate of incorporation and to amend our bylaws.

Although we believe all of these provisions will make a higher third-party bid more likely by requiring potential acquirers to negotiate with the Board of Directors, these provisions will apply even if an initial offer may be considered beneficial by some stockholders and therefore could delay and/or prevent a deemed beneficial offer from being considered. These provisions could also discourage proxy contests and make it more difficult for our stockholders to elect directors and take other corporate actions, which may prevent a change of control or changes in our management that a stockholder might consider favorable. In addition, Section 203 of the Delaware General Corporation Law may discourage, delay, or prevent a change in control of us. Any delay or prevention of a change of control or change in management that stockholders might otherwise consider to be favorable could cause the market price of our common stock to decline.

Our Common Stock Price May Be Volatile Or May Decline Regardless Of Our Operating Performance.

Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for such shares. Many factors, which are outside our control, may cause the market price of our common stock to fluctuate, including those described elsewhere in this "Risk Factors" section and this Annual Report, as well as the following:

- Our operating and financial performance and prospects;
- Our quarterly or annual earnings or those of other companies in our industry compared to market expectations;
- Conditions that impact demand at our stores and for our products;
- Future announcements concerning our business or our competitors' businesses;
- The public's reaction to our press releases, other public announcements and filings with the SEC;
- The size of our public float, and the trading volume of our common stock;
- Coverage by or changes in financial estimates by securities analysts or failure to meet their expectations;
- Market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- Strategic actions by us or our competitors, such as acquisitions or restructurings;
- Changes in laws or regulations which adversely affect our industry or us;
- Changes in accounting standards, policies, guidance, interpretations or principles;
- Changes in senior management or key personnel;
- Issuances, exchanges or sales, or expected issuances, exchanges or sales of our capital stock;
- Changes in our dividend policy;
- Adverse resolution of new or pending litigation against us; and
- Changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from tariffs, inflation, natural disasters, terrorist attacks, public health outbreaks, acts of war and responses to such events.

As a result, volatility in the market price of our common stock may prevent investors from being able to sell their common stock at or above the price they paid for such shares. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock is low. As a result, you may suffer a loss on your investment.

The Nasdaq Stock Market May Delist Our Securities From Its Exchange, Which Could Limit Investors' Ability To Make Transactions In Our Securities And Subject Us To Additional Trading Restrictions.

Our common stock is listed on the Nasdaq Capital Market. We cannot assure you that, in the future, our securities will meet the continued listing requirements to be listed on the Nasdaq Capital Market. If the Nasdaq Stock Market delists our common stock, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- a determination that our common stock is a "penny stock," which will require brokers trading in our common stock to adhere to more stringent rules and possibly resulting in a reduced level of trading activity in the secondary trading market for our common stock;
- a limited amount of news and analyst coverage, if any, for our Company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Our Auditor's Report On Our Audited Consolidated Financial Statements For The Year Ended February 28, 2026, Included In This Annual Report, Contains An Explanatory Paragraph Relating To Our Ability To Continue As A Going Concern.

During the year ended February 28, 2026, we incurred a net loss of $4.6 million and used cash in operating activities of $1.8 million. In addition, at February 28, 2026, we were in violation of a debt covenant for our Credit Agreements (as defined below). These factors raise substantial doubts about our ability to continue as a going concern within one year of the date that the consolidated financial statements included in this Annual Report are issued. Our auditor's report on our audited consolidated financial statements for the year ended February 28, 2026 includes an explanatory paragraph stating that our losses and negative cash flows from operations and uncertainty in generating sufficient cash to meet our operating obligations raise substantial doubt about our ability to continue as a going concern. While we are considering a variety of funding sources and transactions that could raise capital, there can be no assurances that we will be successful in these efforts or will be able to resolve our liquidity issues or eliminate our operating losses. If we are unable to obtain sufficient funding, we would need to significantly reduce our operating plans and curtail some or all of our strategic plans. Accordingly, our business, prospects, financial condition, and results of operations will be materially and adversely affected, and we may be unable to continue as a going concern. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our audited consolidated financial statements, and it is likely that investors will lose all or a part of their investment. If we seek additional financing to fund our business activities in the future and there remains substantial doubt about our ability to continue as a going concern, investors or other financing sources may be unwilling to provide additional funding on commercially reasonable terms or at all.

We Have Identified A Material Weakness In Our Internal Control Over Financial Reporting Which May, If Not Remediated, Result In Additional Material Misstatements In Our Financial Statements.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in 13a-15(d) or 15d-15(d) under the Securities Exchange Act of 1934. As disclosed in Item 9A, "Controls and Procedures," management identified a material weakness in our internal control over financial reporting related to inventory. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of the material weakness, our management concluded that our internal control over financial reporting and related disclosure controls and procedures were not effective. We are actively engaged in developing a remediation plan designed to address this material weakness. If our remedial measures are insufficient to address the material weakness, or if additional material weaknesses or significant deficiencies in our internal control are discovered or occur in the future, our financial statements may contain material misstatements and we could be required to restate our financial results.

Our Inability To Meet A Financial Covenant Contained In Our Credit Facility May Adversely Affect Our Liquidity, Financial Condition And Results Of Operations.

Pursuant to a credit agreement (as amended, the "Credit Agreement"), with RMC Credit Facility LLC, a Colorado limited liability company (the "Lender"), dated September 30, 2024, we have a $6.0 million promissory note, made by the Company to the Lender, for general corporate and working capital purposes. On August 28, 2025, we entered into an amendment to the Credit Agreement pursuant to which, among other things, the Lender made an additional loan to us in the amount of $0.6 million. The additional $0.6 million borrowed was repaid on December 31, 2025. In addition, on August 28, 2025, the Company entered into a credit agreement (the "RMCF2 Credit Agreement" and together with the Credit Agreement, the “Credit Agreements”) pursuant to which the Company borrowed $1.2 million from RMCF2 Credit, LLC, a special purpose investment entity ("RMCF2" and together with the Lender, the "Lenders") affiliated with Jeffery R. Geygan, our interim chief executive officer and a member of our board of directors. On December 31, 2025, $0.6 million of the $1.2 million was repaid to RMCF2. Each Credit Agreement is secured by substantially all of our assets, except retail store assets. Interest on borrowings is set at 12.0% and the loans mature on September 30, 2027. Additionally, each Credit Agreement is subject to various financial ratios and leverage covenants. As of February 28, 2026, we were not in compliance with the requirement under the Credit Agreements to maintain a ratio of total liabilities to tangible net worth of no more than 2.0 to 1. Our ratio as of February 28, 2026 was 3.8 to 1. The covenants are measured quarterly.

The Company has received waivers from the Lenders through August 31, 2026 as of the date of issuance of the consolidated financial statements and is in compliance with all other aspects of the Credit Agreements. There can be no assurance that the Lenders will grant us waivers for future noncompliance.

If we are not in compliance with the requirements under the Credit Agreements, under the terms of the Credit Agreements, the lenders have the option, but not the obligation, to immediately demand repayment of the full of the obligations under the applicable Credit Agreements. As of the date of this Annual Report, we do not have enough cash on hand to satisfy our obligations under either Credit Agreement if the lender thereunder exercised its option to demand repayment. If any lender exercises its option and demands repayment at some time in the future, however, we may not have sufficient funds available to make the payments required. If we are unable to repay amounts owed, the Lenders may be entitled to foreclose on and sell substantially all of our assets, which secure our borrowings under the Credit Agreements, which would have an adverse effect on our liquidity, financial condition and results of operations.

In addition, each lender retains the right to act on covenant violations that occur after the date of delivery of any waiver. In the future, if either lender were to decline to grant us a waiver and instead demand repayment, we may need to seek alternative financing to pay these obligations as we may not have sufficient facilities or sufficient cash on hand at that time to satisfy these obligations.

Our Need For Future Financing May Result In The Issuance of Additional Securities, Which Will Cause Investors To Experience Dilution.

Our cash requirements may vary from those now planned, depending upon numerous factors. Accordingly, we may need to obtain additional funding in connection with our continuing operations. There are no other commitments by any person for future financing. Our securities may be offered to investors at a price lower than the market price for our common stock, or upon terms that may be deemed to be more favorable than those offered to current stockholders. In addition, the issuance of securities in any future financing may dilute a stockholder’s equity ownership and have the effect of depressing the market price for our securities. Moreover, we may issue securities from time to time to procure qualified personnel or for other business reasons. The issuance of any such securities, which is at the discretion of our Board of Directors, may further dilute the equity ownership of our stockholders.

We Have Additional Securities Available For Issuance That, If Issued, Could Adversely Affect The Rights Of The Holders Of Our Common Stock.

Our Amended and Restated Certificate of Incorporation authorizes the issuance of 46,000,000 shares of common stock and 250,000 shares of preferred stock. In certain circumstances, our common stock, as well as the awards available for issuance under our equity incentive plans, can be issued by our Board of Directors without stockholder approval. Any future issuance of such stock would further dilute the percentage of ownership of our Company held by our stockholders.

Future Sales Of Shares Of Our Common Stock Could Cause The Market Price For Our Common Stock To Decline.

We cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of common stock for sale will have on the market price of our common stock prevailing from time to time. Sales of substantial amounts of shares of common stock in the public market, or the perception that those sales will occur, could cause the market price of our common stock to decline or be depressed. In that regard, from time to time, we have engaged in private placement transactions, and we have registered for resale the shares acquired by the investors in those transactions. Depending on a variety of factors, including market liquidity of our common stock, the sales of these shares by these investors may cause the trading price of our common stock to decline.

We May Need Additional Capital, And We Cannot be Sure That Additional Financing will be Available.

Historically, we have financed our operations and capital expenditures primarily through credit agreements and sales of our capital stock. In the future, we may raise additional capital through additional debt or equity financings to support our business growth, to respond to business opportunities, challenges, competitions, or unforeseen circumstances, or for other reasons. On an ongoing basis, we are evaluating sources of financing and may need to raise additional capital in the future. Our ability to obtain additional capital will depend on our development efforts, business plans, investor demand, operating performance, the condition of the capital markets, and other factors. If the overall economy is negatively impacted for an extended period, our results of operations, financial position and cash flows may be materially adversely affected. In addition, a severe prolonged economic downturn could result in a variety of risks to the business, including a decreased ability to raise additional capital when needed on acceptable terms, if at all. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of existing stockholders, and existing stockholders may experience dilution. Further, if we are unable to obtain additional capital when required, or are unable to obtain additional capital on satisfactory terms, our ability to continue to support our business growth or to respond to business opportunities, challenges, competition or unforeseen circumstances would be adversely affected.

Risks Related to the Economy

Global Or Regional Public Health Outbreaks Could Negatively Impact Our Business Operations, Financial Performance And Results Of Operations.

Our business and financial results could be negatively impacted by public health outbreaks. The severity, magnitude and duration of global or regional public health outbreaks are uncertain and hard to predict. For example, COVID-19 significantly impacted economic activity and markets around the world, and resulted in broader supply, transportation and labor disruptions resulting in inflation and generally higher operating costs in our business. Relatedly, commodity and transportation costs have become more volatile, supply chain disruptions have arisen and continued, and transportation and labor shortages have occurred. Additionally, government or regulatory responses to public health outbreaks could negatively impact our business. Mandatory lockdowns or other restrictions on operations in some countries temporarily disrupted our ability to distribute our products in some markets. Resumption, continuation or expansion of these disruptions could materially adversely impact our operations and results.

These and other impacts of global or regional public health outbreaks could have the effect of heightening many of the other risks described in the risk factors presented in this filing, including but not limited to those relating to our reputation, brands, consumer preferences, supply chain, product sales, pricing actions, results of operations or financial condition. We might not be able to predict or respond to all impacts on a timely basis to prevent near- or long-term adverse impacts to our results. The ultimate impact of these disruptions also depends on events beyond our knowledge or control, including the duration and severity of other public health outbreaks and actions taken by parties other than us to respond to them. Any of these disruptions could have a negative impact on our business operations, financial performance, results of operations and stock price, and this impact could be material.

General Economic Conditions Could Have A Material Adverse Effect On Our Business, Results Of Operations And Liquidity Or Our Franchisees, With Adverse Consequences To Us.

Consumer purchases of discretionary items, including our products, often decline during weak economic periods where disposable income is adversely affected. Our performance is subject to factors that affect worldwide economic conditions, including employment, consumer debt, reductions in net worth based on severe market declines, residential real estate and mortgage markets, taxation, fuel and energy prices, interest rates, tariffs, consumer confidence, public health, the value of the U.S. dollar versus foreign currencies and other macroeconomic factors. These factors may cause consumers to purchase products from lower priced competitors or to defer purchases of discretionary products altogether.

Economic weakness could have a material effect on our results of operations, liquidity and capital resources. It could also impact our ability to fund growth and/or result in us becoming more reliant on external financing, the availability and terms of which may be uncertain. In addition, a weak economic environment may exacerbate the other risks noted below.

We rely in large part on our franchisees and the manner in which they operate their stores to develop and promote our business. It is possible that additional franchisees could file for bankruptcy, become delinquent in their payments to us, or simply shut down which could have a significant adverse impact on our business due to loss of factory sales and loss or delay in payments of royalties, contributions to our marketing fund and other fees. Additionally, the availability of credit to our small business franchisees may be curtailed due to tighter credit conditions in the marketplace, and as a result, could delay or preclude franchisees from making required store upgrades.

Although we have developed, and continue to develop, evolving criteria to evaluate and screen prospective developers and franchisees, we cannot be certain that the developers and franchisees we select will have the business acumen or financial resources necessary to open and operate successful franchises in their franchise areas, and state franchise laws may limit our ability to terminate or modify these franchise arrangements. Moreover, franchisees may not successfully operate stores in a manner consistent with our standards and requirements, or may not hire and train qualified managers and other store personnel. The failure of developers and franchisees to open and operate franchises successfully could have a material adverse effect on us, our reputation, our brand, our ability to attract prospective franchisees, our business, financial condition, results of operations and cash flows.

We Are Subject To Risks From Changes To Trade Policies, Including Tariff And Import/Export Regulations By The U.S. And/Or Other Foreign Governments.

Changes in trade policy, including trade restrictions, new or increased tariffs or quotas, embargoes, sanctions and countersanctions, safeguards or customs restrictions by the U.S. and/or other foreign governments could have a material adverse impact on our business. The imposition of new tariffs or increases in existing tariffs on products imported from countries could result in increased costs for our goods. These cost increases may reduce our margins, require us to raise prices, or make our products less competitive in the marketplace. In addition, other countries may change their business and trade policies in anticipation of or in response to increased import tariffs and other changes in trade policy and regulations already enacted or that may be enacted in the future. If we are unable to mitigate these risks through supply chain adjustments, pricing strategies, or other measures, our financial performance and growth prospects could be negatively affected.

We Currently, And May In The Future, Have Assets Held At Financial Institutions That May Exceed The Insurance Coverage Offered By The Federal Deposit Insurance Corporation ("FDIC"), The Loss Of Which Would Have A Severe Negative Affect On Our Operations And Liquidity.

We may maintain our cash assets at financial institutions in the U.S. in amounts that may be in excess of the FDIC insurance limit of $250,000. In the event of a failure or liquidity issues at any of the financial institutions where we maintain our deposits or other assets, we may incur a loss to the extent such loss exceeds the FDIC insurance limitation, which could have a material adverse effect upon our liquidity, financial condition and our results of operations. Similarly, if our customers or partners experience liquidity issues as a result of financial institution defaults or non-performance where they hold cash assets, their ability to pay us may become impaired and could have a material adverse effect on our results of operations, including the collection of accounts receivable and cash flows.

Risks Related to Our Franchisees

The Financial Performance Of Our Franchisees Can Negatively Impact Our Business.

Our financial results are dependent in part upon the operational and financial success of our franchisees. Franchisees purchase product from us and we receive royalties, franchise fees, contributions to our marketing fund, and other fees from our franchisees. We have established operational standards and guidelines for our franchisees; however, we have limited control over how our franchisees’ businesses are run. While we are responsible for ensuring the success of our entire system of stores and for taking a longer-term view with respect to system improvements, our franchisees have individual business strategies and objectives, which might conflict with our interests. Our franchisees may not be able to secure adequate financing to open or continue operating their Rocky Mountain Chocolate Factory stores. If they incur too much debt or if economic or sales trends deteriorate such that they are unable to repay existing debt, our franchisees could experience financial distress or even bankruptcy. If a significant number of franchisees become financially distressed, it could harm our operating results through reduced royalty revenues and the impact on our profitability could be greater than the percentage decrease in the royalty revenues. This would reduce our royalty revenues and could negatively impact margins, since we may not be able to reduce fixed costs which we continue to incur.

We Have Limited Control With Respect To The Operations Of Our Franchisees, Which Could Have A Negative Impact On Our Business.

Franchisees are independent business operators and are not our employees, and we do not exercise control over the day-to-day operations of their stores. We provide training and support to franchisees, and set and monitor operational standards, but the quality of franchised stores may be diminished by any number of factors beyond our control, despite our enforcing the terms and conditions of the Company's franchise agreement and operations manual. Consequently, franchisees may not successfully operate stores in a manner consistent with our standards and requirements, or may not hire and train qualified managers and other store personnel. If franchisees do not operate to our expectations, our image and reputation, and the image and reputation of other franchisees, may suffer materially and system-wide sales could decline significantly, which would reduce our royalty revenues, and the impact on profitability could be greater than the percentage decrease in royalties and fees.

A Significant Shift By Franchisees From Company-Manufactured Products To Products Produced By Third Parties Could Adversely Affect Our Operations.

Franchisees' sales of products produced by us generate higher revenues to us than sales of store-made or other products. We have seen a significant increase in system-wide sales of store-made and other products, which has led to a decrease in purchases from us and has had an adverse effect on our revenues. If this trend continues, it could further adversely affect our total revenues and results of operations. Such a decrease could result from franchisees' decisions to sell more store-made products or products purchased from approved third party suppliers.

Risks Related to Our Supply Chain

Increase In Ingredient And Other Operating Costs, Including Those Caused By Weather And Food Safety, Could Adversely Affect Our Results Of Operations.

Our Company-owned and franchised stores could also be harmed by supply chain interruptions including those caused by factors beyond our control or the control of our suppliers. However, prolonged disruption in the supply of products from or to our manufacturing facility due to weather, natural disasters, food safety incidents, regulatory compliance, labor dispute or interruption of service by carriers could increase costs, limit the availability of raw materials critical to our store operations and have a significant impact on results. Increasing weather variability or other long-term changes in weather patterns could have a significant impact on the price or availability of some of our raw materials and other materials throughout our supply chain. In particular, adverse weather or cocoa beans or nuts shortages could disrupt the supply of key ingredients to our and our franchisees’ stores. Insolvency of key suppliers could also cause similar business interruptions and negatively impact our business.

Disruption To Our Manufacturing Facility Or Supply Chain Could Impair Our Ability To Produce Or Deliver Finished Products, Resulting In A Negative Impact On Our Results Of Operations.

All of our manufacturing operations are located in Durango, Colorado. Disruption to our manufacturing facility or to our supply chain could result from a number of factors, including natural disasters, outbreak of disease, weather, fire or explosion, extreme forest fires, terrorism or other acts of violence, labor strikes or other labor activities, unavailability of raw or packaging materials, and operational and/or financial instability of key suppliers and other vendors or service providers. We believe that we take adequate precautions to mitigate the impact of possible disruptions. We have strategies and plans in place to manage disruptive events if they were to occur. However, if we are unable, or find that it is not financially feasible, to effectively plan for or mitigate the potential impacts of such disruptive events on our manufacturing facility or supply chain, our financial condition and results of operations could be negatively impacted.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

We have established processes, that seek to assess, identify, and manage material risks from cybersecurity threats to the IT systems and information that we use or will use, transmit, receive, and maintain. The processes for assessing, identifying, and managing material risks from cybersecurity threats have been integrated into the overall risk management system through the use of firewalls, antivirus and malware detection, and other security software. The processes include efforts to identify the relevant assets that could be affected, determine possible threat sources and threat events, assess threats based on their potential likelihood and impact, and identify controls that are in place or necessary to manage and/or mitigate such risks. We have engaged consultants to assist us with risk mitigation and monitoring threats from both inside and outside our network, including risks of cybersecurity threats associated with the use of third-party service providers. We maintain full backups on a regular basis to protect against the loss of critical data.

We have not experienced any material cybersecurity incidents to date that have materially affected, or that are reasonably likely to materially affect our business, strategy, results of operations or financial condition, and the expenses incurred from any security incidents have been immaterial. However, as discussed under “Risk Factors” in Part I, Item 1A of this Annual Report, cybersecurity threats pose multiple and potentially material risks to us, including to our results of operations and financial condition. We rely extensively on information technology systems and could face cybersecurity risk. As cybersecurity threats become more frequent, sophisticated, and coordinated, it is reasonably likely that we may expend greater resources to continue to modify and enhance protective measures against such security risks.

Governance

Our Board of Directors is responsible for exercising oversight of management’s identification and management of, and planning for, risks from cybersecurity threats. The Audit Committee of the Board of Directors routinely evaluates the Company’s cybersecurity through communications with management and the Company’s information technology department. Systems are in place to perform ongoing testing to defend and mitigate against unwelcome intrusions and attacks.

The interim CEO and CFO communicate with the head of the information technology department daily to monitor any potential or perceived threats to our technology infrastructure. A comprehensive and regularly tested Incident Response Plan (IRP) has been established that outlines specific steps for various types of cyber incidents. There are key performance indicators (KPIs) and metrics used to measure the effectiveness of the cybersecurity program, including processes to keep senior management and the Board’s Audit Committee informed. The Company also maintains a cybersecurity insurance policy to provide financial protection in the event of a critical breach.

We employ information technology specialists and use external consulting firms to supplement our cybersecurity practices. Both the interim CEO and CFO have experience in managing teams of information technology specialists and assessing cybersecurity threats.

ITEM 2. PROPERTIES

Our production operations and corporate headquarters are located at 265 Turner Drive, Durango, Colorado 81303, which is a 53,000 square foot manufacturing facility that we own. During FY 2026, our manufacturing operations produced approximately 1.33 million pounds of chocolate products, which was a decrease of approximately 35% from the approximately 2.05 million pounds produced in FY 2025. In July 2024, we sold an unused parcel of land in Durango, Colorado for a purchase price of approximately $0.9 million.

The Company entered into three new leases during the year ended February 28, 2026, including the lease for the Durango retail location for 15 years in November 2025, for the Camarillo retail location for 10 years in August 2025, and the Miami office location for 3.5 years in August 2025 with a total increase in future lease payments of $1.3 million. The Company did not enter into any new leases during the year ended February 28, 2025. During the year ended February 29, 2024, the Company entered into new leases representing a future lease liability of $0.1 million. We do not deem these to be material in relation to our overall operations.

For information as to the amount of our rental obligations under leases on both Company-owned and franchised stores, see Note 10 “Leasing Arrangements” to our consolidated financial statements included in Item 8 of this Annual Report.

ITEM 3. LEGAL PROCEEDINGS

We are not aware of any pending legal actions that would, if determined adversely to us, have a material adverse effect on our business and operations.

We may, from time to time, become involved in disputes and proceedings arising in the ordinary course of business. In addition, as a public company, we are also potentially susceptible to litigation, such as asserting violations of securities laws. Any such claims, with or without merit, if not resolved, could be time-consuming and result in costly litigation. There can be no assurance that an adverse result in any future proceeding would not have a potentially material adverse effect on our business, results of operations, and financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is listed on the Nasdaq Global Market tier of the Nasdaq Stock Market LLC under the symbol "RMCF."

Holders

On May 22, 2025, there were approximately 430 record holders of our common stock. This figure does not include an estimate of the number of beneficial holders whose shares are held of record by banks, brokers or other nominees.

Dividends

Although we have previously paid cash dividends on our common stock, we have no present intention of paying a cash dividend on our common stock. Any determination to pay dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, results of operations, projections, liquidity, earnings, legal requirements, restrictions in our existing and any future debt and other factors that our board of directors deems relevant.

Unregistered sales of equity securities

None.

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations (this "*MD&A*"*) is intended to assist in an understanding of our financial condition and should be read in conjunction with our Consolidated Financial Statements and accompanying Notes included in Item 8 of this Annual Report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs, and involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed elsewhere in this Annual Report, particularly in Item 1A.* "*Risk Factors.*"

Overview

Rocky Mountain Chocolate Factory, Inc., a Delaware corporation, and its subsidiaries (including its operating subsidiary with the same name, Rocky Mountain Chocolate Factory, Inc., a Colorado corporation) ("RMCF") (referred to as the "Company," "we," "us," or "our") is an international franchisor, confectionery producer and retail operator. Founded in 1981, we are headquartered in Durango, Colorado and produce an extensive line of premium chocolate products and other confectionery products. Our revenues and profitability are derived principally from our franchised/licensed system of retail stores that feature chocolate and other confectionery products including gourmet caramel apples. We may also sell our confectionery products in select locations outside of our system of retail stores and license the use of our brand with certain consumer products. As of February 28, 2026, there were three Company-owned, 111 licensee-owned and 139 franchised Rocky Mountain Chocolate Factory stores operating in 34 states and the Philippines.

Recent Developments

On August 28, 2025, the Company entered into a first amendment to the credit agreement (as amended, the "Credit Agreement"), with RMC Credit Facility LLC, a Colorado limited liability company ("RMC" or "Lender"), dated September 30, 2024. The Lender agreed to make an additional advance to the Company in the principal amount of $0.6 million, There was no change to other terms of the agreement. In connection with the amendment, the Company and the Lender agreed to waive the financial covenant providing for a maximum ratio of total liabilities to total net worth for each of the year ending February 28, 2026. The Company was not in compliance with the covenant as of February 28, 2026. The Company has received a waiver through August 31, 2026 from the Lender as of the date of issuance of the financial statements in respect of such non-compliance and is in compliance with all other aspects of the Credit Agreement. As of February 28, 2026, the Company repaid $0.6 million of the $6.6 million outstanding.

On August 28, 2025, the Company entered into a new credit agreement ("RMCF2 Credit Agreement") with RMCF2 Credit, LLC ("RMCF2"), a special purpose investment entity affiliated with Jeffrey R. Geygan, the Company's Interim Chief Executive Officer and one of the members of the Company's board of directors.

Pursuant to the RMCF2 Credit Agreement, RMCF2 agreed to make an advance to the Company in the principal amount of $1.2 million, which advance is evidenced by a promissory note (the "RMCF2 Note"). The RMCF2 Note matures on September 30, 2027 and interest accrues at a rate of 12% per annum and is payable monthly in arrears. All outstanding principal and interest will be due on the maturity date.

The RMCF2 Credit Agreement contains customary events of default as well as customary affirmative and negative covenants, including, without limitation, certain reporting obligations and certain limitations on liens, encumbrances, and indebtedness. The RMCF2 Credit Agreement also limits capital expenditures to $3.5 million per year and contains two financial covenants measured quarterly: a maximum ratio of total liabilities to total net worth and a minimum current ratio. Pursuant to the RMCF2 Credit Agreement, RMCF2 agreed to waive the financial covenant providing for a maximum ratio of total liabilities to total net worth for the fiscal year ending February 28, 2026. At February 28, 2026, all covenants were met with the exception of the covenant for the maximum ratio of total liabilities to total net worth. The Company has received a waiver through August 31, 2026 from RMCF2 as of the date of issuance of the financial statements in respect of such non-compliance and is in compliance with all other aspects of the RMCF2 Credit Agreement. As of February 28, 2026, the Company repaid $0.6 million of the $1.2 million outstanding.

On December 18, 2025, the Company entered into a securities purchase agreement with ARM-D Rocky Mountain Chocolate Holdings LLC (the “Purchaser”) , pursuant to which, among other things, the Purchaser agreed to subscribe for and purchase, and the Company agreed to issue and sell to the Purchaser, an aggregate of 1,500,000 shares of common stock at a price per share of $1.80, for total gross proceeds of approximately $2.7 million, less stock issuance costs of $0.2 million. On January 23, 2026, the shares were subsequently registered for resale by the Purchaser on a Form S-1 that was declared effective by the SEC on February 13, 2026.

Current Trends Affecting Our Business and Outlook

As a result of recent macroeconomic inflationary trends and disruptions to the global supply chain, we have experienced and expect to continue experiencing higher raw material, labor, and freight costs. We have experienced labor and logistics challenges, which we believe have contributed to lower factory, retail and e-commerce sales. In addition, we could experience additional lost sale opportunities if our products are not available for purchase as a result of continued disruptions in our supply chain relating to an inability to obtain raw materials or packaging, or if we or our franchisees experience delays in stocking our products.

We are subject to seasonal fluctuations in sales because of key holidays and the location of our franchisees, which have traditionally been located in high traffic areas such as resorts or tourist locations, and the nature of the products we sell, which are seasonal. Historically, the strongest sales of our products have occurred during key holidays 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 the sales of new franchise locations. Because of the seasonality of our business and the impact of new store openings and sales of new 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 for continued growth in our earnings are our ability to increase the sales of premium chocolate products produced in our Durango production facility, and the support of our franchisees in increasing the frequency of customer visits and the average value of each customer transaction, along with ongoing e-commerce revenue growth, and new franchised store growth. In FY 2026 the Company signed four area development agreements that include the addition of 34 new franchise stores over the next three to five years.

Our ability to successfully achieve expansion of our franchise systems depends on many factors not within our control including the availability of suitable sites for new store locations and the availability of qualified franchisees to support our expansion plans.

Efforts to increase same store pounds purchased from our production facility by franchised stores and to increase total Durango production depend on many factors, including new store openings, effective e-commerce initiatives, industry competition, the receptivity of our franchise system to our product introductions and promotional programs.

Results of Continuing Operations

Fiscal 2026 Compared To Fiscal 2025

Results Summary

Basic loss per share decreased from a loss from continuing operations of $(0.86) per share in FY 2025 to a loss from continuing operations of $(0.56) per share in FY 2026. Revenues decreased by 7.0% from $29.6 million for FY 2025 to $27.5 million for FY 2026. Operating loss and loss from continuing operations was $5.9 million in FY 2025 compared to an operating loss of $3.6 million in FY 2026.

REVENUES

($'s in thousands)	For the Year Ended February 28, 2026	2025	$ Change	% Change
Durango product and retail sales	$ 21,362	$ 24,015	(2,653)	(11.0)%
Franchise fees	204	188	16	8.5%
Royalty and marketing fees	5,931	5,376	555	10.3%
Total	$ 27,497	$ 29,579	$ (2,082)	(7.0)%

Durango Product and Retail Sales

The decrease in total sales for FY 2026 compared to FY 2025 was primarily due to a 11%, or $2.7 million, decrease in sales of products to our network of franchised and licensed retail stores, Specialty Markets customers, and e-commerce customers, and partially offset by price increases. Certain unfavorable specialty market contracts were not renewed in FY26.

We continue to improve production efficiencies, while adding new products we believe can generate high sales volumes and gross profit margins at or above our average level for bulk and packaged items. We continue to focus our marketing efforts to increase total pounds purchased by franchise locations.

Royalties, Marketing Fees and Franchise Fees

Royalty and marketing fees increased during FY 2026 compared to FY 2025 primarily due to the decrease in sales of products to our network of franchised retail stores. The royalty agreements allow for an increase in the royalty percentage due from the franchisees if the franchisee sales of product made in the stores exceeds or increases a certain percentage over the sale of Durango product items sold in franchised stores.

COSTS AND EXPENSES

Cost of Sales and Expenses

($'s in thousands)	For the Year Ended February 28, 2026	2025	$ Change	% Change
Total cost of sales	$ 20,643	$ 23,916	$ (3,273)	(13.7)%
Franchise costs	2,454	2,414	40	1.7%
Sales and marketing	950	1,995	(1,045)	(52.4)%
General and administrative	5,435	6,305	(870)	(13.8)%
Retail operating	1,118	716	402	56.1%
Depreciation and amortization, exclusive of depreciation and amortization expense of $921 and $775, respectively, included in cost of sales	484	175	309	176.6%
Total	$ 31,084	$ 35,521	$ (4,437)	(12.5)%

Gross Margin ($'s in thousands)	For the Year Ended February 28, 2026	2025	$ Change	% Change
Total gross margin	$ 719	$ 99	$ 620	626.3%
Gross margin percentage	3.4%	0.4%	3.0%	716.5%

Cost of Sales and Gross Margin

Total gross margin increased to 3.4% in FY 2026 compared to a gross margin of 0.4% during FY 2025, due primarily to the efficiencies obtained by relocating our consumer packaging operations back to our Durango production facility and sales price adjustments to offset inflationary pressures.

Franchise Costs

Franchise costs remained relatively unchanged during FY 2026 compared to FY 2025. As a percentage of total royalty and marketing fees and franchise fee revenue, franchise costs decreased to 40.0% in FY 2026 from 43.4% in FY 2025. This decrease as a percentage of royalty, marketing, and franchise fees is primarily a result of higher royalty fees partially offset by higher costs associated with providing a high level of customer service to our entire franchise network which had been lacking in prior years. As a percentage of total revenue, franchise costs increased to 8.9% during FY 2026, compared to 8.2% during FY 2025.

Sales and Marketing

The decrease in sales and marketing costs during FY 2026, compared to FY 2025, was due primarily to operational efficiencies and changes with the organization of the department under which fewer marketing executives were hired to address gaps in our historic marketing plan, and a more focused ad spend was undertaken to direct resources to achieve a higher return on investment. As a percentage of total revenues, sales and marketing expenses decreased to 3.5% during FY 2026, compared to 6.7% during FY 2025.

General and Administrative

The decrease in general and administrative costs during FY 2026, compared to FY 2025, was due in part to cost cutting measures offset by an elevated level of professional fees. The Company had additional legal and professional costs associated with an equity raise and changes to our credit facilities. As a percentage of total revenues, general and administrative expenses decreased to 19.8% during FY 2026, compared to 21.3% during FY 2025.

Retail Operating Expenses

Retail operating expenses increased 56.1% during FY 2026 compared to FY 2025. This increase is primarily the result of the purchase of a third retail store in August 2025. As a percentage of total revenues, retail operating expenses increased to 4.1% during FY 2026 compared to 2.4% during FY 2025.

Depreciation and Amortization

Depreciation and amortization, exclusive of depreciation and amortization included in cost of sales, was $0.5 million during FY 2026, an increase from $0.2 million during FY 2025. Depreciation and amortization included in cost of sales increased 18.8% during FY 2025 to FY 2026. This increase was the result of deprecating prior year investment in updating technology and production equipment.

The Company made capital expenditures of $0.7 million and $3.8 million during FY 2026 and FY 2025, respectively.

Other Income (Expense)

Other expense was $0.8 million during FY 2026, compared to other income of $0.2 million during FY 2025. This represents interest expense of $0.8 million during FY 2026 compared to $0.5 million during FY 2025 and interest income of $54 thousand during FY 2026 compared to $27 thousand during FY 2025.

Income Tax Provision

We had income tax expense of $0.2 million during the year ended February 28, 2026. We had no income tax expense during the years ended February 28, 2025 and February 29, 2024 due to our loss from operations. See Note 13 to the financial statements for a description of income taxes, deferred tax assets, and associated reserves.

Adjusted Gross Margin

Adjusted Gross Margin (a non-GAAP measure) ($'s in thousands)	For the Year Ended February 28, 2026	For the Year Ended February 28, 2025	$ Change	% Change
Total gross margin	$ 719	$ 99	$ 620	626.3%
Plus: depreciation and amortization	921	775	$ 146	18.8%
Total Adjusted Gross Margin (non-GAAP measure)	$ 1,640	$ 874	$ 766	87.6%
Total Adjusted Gross Margin (non-GAAP measure)	7.7%	3.6%	4.0%	110.9%

Non-GAAP Measures

In addition to the results provided in accordance with GAAP, we provide certain non-GAAP measures, which present results on an adjusted basis. These are supplemental measures of performance that are not required by or presented in accordance with GAAP. Adjusted gross margin is a non-GAAP measure. Adjusted gross margin is equal to the sum of our total gross margin plus depreciation and amortization calculated in accordance with GAAP. 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 GAAP. We believe that adjusted gross margin is useful to investors because they provide 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 analytical tools because they exclude 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 measures of performance only in conjunction with GAAP measures of performance such as gross margin.

Liquidity and Capital Resources

As of February 28, 2026, working capital was $2.0 million compared with $2.4 million as of February 28, 2025. The decrease in working capital was due primarily to a net change in accounts receivable and accounts payable. Expected future cash requirements include supporting current operations and building inventory including capital expenditures to support our business.

Cash and cash equivalent balances increased from $0.7 million as of February 28, 2025 to $1.2 million as of February 28, 2026 primarily as a result of proceeds of $1.2 million from the RMCF2 Credit Agreement and gross proceeds of $2.7 million from the sale of 1,500,000 shares of common stock pursuant to a securities purchase agreement with the Purchaser. Our current ratio was 1.29 to 1.0 on February 28, 2026 compared to 1.34 to 1.0 on February 28, 2025. We monitor current and anticipated future levels of cash and cash equivalents in relation to anticipated operating, financing and investing requirements.

During FY 2026, we had a consolidated net loss of $4.6 million. Operating activities used cash of $1.8 million, with the principal adjustments to reconcile net income to net cash used in operating activities being depreciation and amortization of $1.4 million, decrease in inventory reserve of $0.4 million, stock compensation expense of $0.3 million, deferred income taxes of $0.2 million, provision for recovery on accounts and notes receivable of $0.2 million, and change in operating assets and liabilities of $1.3 million. During FY 2025, we had a consolidated net loss of $6.1 million. Operating activities used cash of $6.6 million, with the principal adjustments to reconcile net income to net cash used in operating activities being depreciation and amortization of $1.0 million, increase in inventory reserve of

$0.3 million, stock compensation expense of $0.3 million, gain on the sale of assets of $0.2 million, and change in operating assets and liabilities of $1.8 million.

During FY 2026, investing activities used cash of $0.8 million, primarily due to the purchases of property and equipment of $0.6 million and acquisition of the retail store in Camarillo, California of $0.2 million. Investing activities used cash of $1.7 million during FY 2025 primarily due to the purchases of property and equipment of $3.8 million, partially offset by investing cash flow from the sale of assets of $2.3 million.

During FY 2026, financing activities provided cash of $3.1 million, primarily due to proceeds from notes payable of $1.8 million and issuance of common stock through a securities purchase agreement with the Purchaser of $2.7 million, partially offset by stock issuance costs of $0.2 million, payment on notes payable of $1.2 million, and payment of debt issuance costs of $10 thousand. In comparison, financing activities provided cash of $6.9 million during FY 2025 primarily due to proceeds from notes payable of $6.0 million, proceeds from drawing on a line of credit of $2.2 million, and issuance of common stock of $2.2 million, partially offset by the payment on the line of credit of $3.5 million and payment of debt issuance costs of $0.1 million.

The Company's recurring negative cashflows from operations and heavy reliance on debt and equity financing to sustain its operations raise substantial doubt regarding our ability to continue as a going concern for a period of at least one year from the date of issuance of these financial statements. In addition, our independent registered public accounting firm, in their report on the Company's February 28, 2026, audited financial statements, raised substantial doubt about the Company's ability to continue as a going concern.

Credit Agreement and Payment of Wells Fargo Credit Agreement

On September 30, 2024, the Company entered into a (the "Credit Agreement"). Pursuant to the Credit Agreement, the Company received an advance in the principal amount of $6.0 million, which advance is evidenced by a promissory note (the "Note"). The Note will mature on September 30, 2027 (the "Maturity Date"), and interest will accrue at a rate of 12% per annum and is payable monthly in arrears. All outstanding principal and interest will be due on the Maturity Date. The Credit Agreement is collateralized by the Company's Durango real estate property and the related inventory and property, plant and equipment located on that property, as well as the Company's accounts receivable and cash accounts.

On August 28, 2025, we amended the Credit Agreement and received an additional advance of $0.6 million. The additional $0.6 million borrowed was repaid on December 31, 2025. As of February 28, 2026, $6.0 million was outstanding on the Credit Agreement. The Credit Agreement contains customary events of default, including nonpayment of principal and interest when due, failure to comply with covenants, and a change of control of the Company, as well as customary affirmative and negative covenants, including, without limitation, certain reporting obligations and certain limitations on liens, encumbrances, and indebtedness. The Credit Agreement also limits our capital expenditures to $3.5 million per year and contains two financial covenants measured quarterly: a maximum ratio of total liabilities to total net worth and a minimum current ratio. In connection with the amendment, the Company and the Lender agreed to waive the financial covenant providing for a maximum ratio of total liabilities to total net worth of 2.0:1.0 for the fiscal year ending February 28, 2026. The Company was not in compliance with that covenant of, but was in compliance with all other covenants as of February 28, 2026.

The proceeds of the Credit Agreement were used as follows: (i) $3.5 million was used to repay the Wells Fargo Credit Agreement and (ii) the remaining balance was used for continued capital investment and working capital needs.

The Company paid off the outstanding balance of $3.5 million of the Wells Fargo Credit Agreement upon maturity on September 30, 2024.

The Company was not in compliance with the liabilities to tangible net worth of 2.0:1.0 as of February 28, 2026. The Company has received a waiver from the Lender through August 31, 2026 as of the date of issuance of these financial statements and is in compliance with all other aspects of the Credit Agreement.

The Company will continue to explore additional means of strengthening its liquidity position and ensuring compliance with its debt financing covenants, which may include the obtaining of waivers from our lenders.

On August 5, 2024, the Company entered into securities purchase agreements with Steven L. Craig, an existing director of the Company and American Heritage Railways, Inc. a company affiliated with Allen C. Harper who joined the board of directors in December 2024 (the "Investors"), pursuant to which, among other things, the Investors agreed to subscribe for and purchase, and the Company agreed to issue and sell to the Investors in a private placement, an aggregate of 1,250,000 of shares of the Company's common stock at a price per share equal to $1.75, for total proceeds of approximately $2.2 million. On September 5, 2024, the Company filed a Form S-1 registering the shares sold in the private placement. The Form S-1 was declared effective by the SEC on October 9, 2024.

New Credit Agreement

On August 28, 2025, we entered into the RMCF2 Credit Agreement with RMCF2.

Pursuant to the RMCF2 Credit Agreement, RMCF2 agreed to make an advance to the Company in the principal amount of $1.2 million, which advance is evidenced by the RMCF2 Note. The RMCF2 Note matures on September 30, 2027 and interest accrues at a rate of 12% per annum and is payable monthly in arrears. All outstanding principal and interest will be due on the maturity date. The RMCF2 Credit Agreement is collateralized by the Company's Durango real estate property and the related inventory and property, plant and equipment located on that property, as well as the Company's accounts receivable and cash accounts. As of February 28, 2026, the Company repaid $0.6 million of the $1.2 million outstanding.

The RMCF2 Credit Agreement contains customary events of default as well as customary affirmative and negative covenants, including, without limitation, certain reporting obligations and certain limitations on liens, encumbrances, and indebtedness. The RMCF2 Credit Agreement limits capital expenditures to $3.5 million per year and also contains two financial covenants measured quarterly: a maximum ratio of total liabilities to total net worth and a minimum current ratio. Pursuant to the RMCF2 Credit Agreement, the Company and RMCF2 agreed to waive the financial covenant providing for a maximum ratio of total liabilities to total net worth for the fiscal year ending February 28, 2026. The Company was not in compliance with the liabilities to tangible net worth covenant of 2.0:1.0 but was in compliance with all other covenants as of February 28, 2026.

The Company was not in compliance with the liabilities to tangible net worth of 2.0:1.0 as of February 28, 2026. The Company has received a waiver from the Lender through August 31, 2026 as of the date of issuance of these financial statements and is in compliance with all other aspects of the Credit Agreement.

In connection with the RMCF2 Credit Agreement and the RMCF2 Note, the Company entered into a Deed of Trust with RMCF2 and the Public Trustee of La Plata County, Colorado with respect to the Company's property in Durango, Colorado

We will continue to explore additional means of strengthening our liquidity position and ensuring compliance with our debt-financing covenants, which may include the obtaining of waivers from our lenders.

New Security Purchase Agreement

On December 18, 2025, the Company entered into a securities purchase agreement with the Purchaser, pursuant to which, among other things, the Purchaser agreed to subscribe for and purchase, and the Company agreed to issue and sell to the Purchaser, an aggregate of 1,500,000 shares of common stock at a price per share of $1.80, for total gross proceeds of approximately $2.7 million, less stock issuance costs of $0.2 million. On January 23, 2026, the shares were subsequently registered for resale by the Purchaser on a Form S-1 that was declared effective by the SEC on February 13, 2026.

Contractual Obligations

The table below presents significant contractual obligations of the Company at February 28, 2026.

(Amounts in thousands)

Contractual Obligations	Total	Less than 1 year	2-3 Years	4-5 years	More Than 5 years
Operating leases	$ 2,173	$ 410	$ 500	$ 288	$ 975
Purchase contracts	4,592	4,573	19	-	-
Total	$ 6,765	$ 4,983	$ 519	$ 288	$ 975

Impact of Inflation

Inflationary factors such as increases in the costs of raw materials and labor directly affect the Company's operations. Most of the Company's leases provide for cost-of-living adjustments and require it to pay taxes, insurance and maintenance expenses, all of which are subject to inflation. Additionally, the Company's future lease cost 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 the 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.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures. Estimates and assumptions include, but are not limited to, the carrying value of accounts and notes receivable from franchisees, inventories, the useful lives of fixed assets, goodwill, and other intangible assets, income taxes, contingencies and litigation. We base our estimates on analyses, which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The Company did not identify any critical estimates used in the preparation of our consolidated financial statements for the year ended February 28, 2026.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this Item.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors
Rocky Mountain Chocolate Factory, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Rocky Mountain Chocolate Factory, Inc. (the "Company") as of February 28, 2026 and 2025, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended February 28, 2026, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2026 and 2025, and the results of its operations and its cash flows for each of the three years in the period ended February 28, 2026 in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's ability to continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As disclosed in Note 1 to the financial statements, the Company has incurred recurring losses and negative cash flows from operations in recent years and is dependent on debt and equity financing to fund its operations, all of which raise substantial doubt about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ CohnReznick LLP

We have served as the Company's auditor since 2023.

Los Angeles, California
May 29, 2026

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	FOR THE YEARS ENDED FEBRUARY 28 or 29,		
	2026	2025	2024
Revenues			
Sales	$ 21,362	$ 24,015	$ 22,022
Franchise and royalty fees	6,135	5,564	5,929
Total Revenue	27,497	29,579	27,951
Costs and Expenses			
Cost of sales	20,643	23,916	20,656
Franchise costs	2,454	2,414	2,582
Sales and marketing	950	1,995	2,132
General and administrative	5,435	6,305	6,674
Retail operating	1,118	716	671
Depreciation and amortization, exclusive of depreciation and amortization expense of $921, $775 and $750, respectively, included in cost of sales	484	175	138
Total costs and expenses	31,084	35,521	32,853
Loss from Operations	(3,587)	(5,942)	(4,902)
Other Income (Expense)			
Interest expense	(840)	(454)	(53)
Interest income	54	27	79
Gain on disposal of assets	-	247	-
Other (expense) income, net	(786)	(180)	26
Loss Before Income Taxes	(4,373)	(6,122)	(4,876)
Income Tax Provision	187	-	-
Loss from Continuing Operations	(4,560)	(6,122)	(4,876)
Earnings from discontinued operations, net of tax	-	-	704
Net Loss	$ (4,560)	$ (6,122)	$ (4,172)
Basic Loss per Common Share			
Loss from continuing operations	$ (0.56)	$ (0.86)	$ (0.77)
Earnings from discontinued operations	—	—	0.11
Net loss	$ (0.56)	$ (0.86)	$ (0.66)
Diluted Loss per Common Share			
Loss from continuing operations	$ (0.56)	$ (0.86)	$ (0.77)
Earnings from discontinued operations	-	-	0.11
Net loss	$ (0.56)	$ (0.86)	$ (0.66)
Weighted Average Common Shares Outstanding – Basic	8,084,372	7,079,171	6,294,411
Dilutive Effect of Employee Stock Awards	-	-	-
Weighted Average Common Shares Outstanding – Diluted	8,084,372	7,079,171	6,294,411

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

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	AS OF FEBRUARY 28,	
	2026	2025
Assets		
Current Assets		
Cash and cash equivalents	$ 1,218	$ 720
Accounts receivable, less allowance for credit losses of $128 and $307, respectively	2,545	3,405
Notes receivable, current portion, less current portion of the allowance for credit losses of $28 and $28, respectively	59	11
Refundable income taxes	58	64
Inventories	4,057	4,630
Other	831	393
Total current assets	8,768	9,223
Property and Equipment, Net	8,775	9,409
Other Assets		
Notes receivable, less current portion and allowance for credit losses of $0 and $0	36	69
Goodwill	576	576
Intangible assets, net	733	210
Lease right of use asset	1,310	1,241
Other	14	447
Total other assets	2,669	2,543
Total Assets	$ 20,212	$ 21,175
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 5,088	$ 4,816
Accrued salaries and wages	406	697
Gift card liabilities	654	649
Other accrued expenses	64	80
Deferred income taxes	187	-
Contract liabilities	105	139
Lease liability	282	488
Total current liabilities	6,786	6,869
Note payable	6,568	5,957
Lease Liability, less current portion	1,054	770
Contract Liabilities, less current portion	575	604
Total Liabilities	14,983	14,200
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, $.001 par value per share; 250,000 authorized; 0 shares issued and outstanding, respectively	-	-
Common stock, $.001 par value, 46,000,000 shares authorized, 9,354,620 shares and 7,722,124 shares issued and outstanding, respectively	9	8
Additional paid-in capital	15,168	12,355
Accumulated Deficit	(9,948)	(5,388)
Total stockholders' equity	5,229	6,975
Total Liabilities and Stockholders' Equity	$ 20,212	$ 21,175

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

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Convertible Preferred Stock		Common Stock		Additional Paid-In	Retained Earnings	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	(Accumulated Deficit)	Equity
Balances as of February 28, 2023	**—**	**$ -**	**6,257,137**	**$ 6**	**$ 9,458**	**$ 4,906**	**$ 14,370**
Equity compensation, restricted stock units, net of shares withheld	—	—	48,890	—	438	—	438
Net loss	—	—	—	—	—	(4,172)	(4,172)
Balances as of February 29, 2024	**—**	**$ -**	**6,306,027**	**$ 6**	**$ 9,896**	**$ 734**	**$ 10,636**
Equity compensation, restricted stock units, net of shares withheld	—	—	166,147	—	273	—	273
Issuance of common stock through securities purchase agreement	—	—	1,250,000	2	2,186	—	2,188
Net loss	—	—	—	—	—	(6,122)	(6,122)
Balances as of February 28, 2025	**—**	**$ -**	**7,722,174**	**$ 8**	**$ 12,355**	**$ (5,388)**	**$ 6,975**
Equity compensation, restricted stock units, net of shares withheld	—	—	132,446	—	332	—	332
Issuance of common stock through securities purchase agreement	—	—	1,500,000	1	2,481	—	2,482
Net loss	—	—	—	—	—	(4,560)	(4,560)
Balances as of February 28, 2026	**—**	**$ -**	**9,354,620**	**$ 9**	**$ 15,168**	**$ (9,948)**	**$ 5,229**

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

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	FOR THE YEARS ENDED FEBRUARY 28 or 29,		
	2026	2025	2024
Cash Flows From Operating Activities			
Net Loss	$ (4,560)	$ (6,122)	$ (4,172)
Less: Earnings from discontinued operations, net of tax	—	—	704
Loss from continuing operations	(4,560)	(6,122)	(4,876)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities:			
Depreciation and amortization	1,405	950	887
Deferred income taxes	187	—	—
Debt issuance costs	21	7	—
Increase (decrease) in inventory reserves	(355)	322	189
Provision for credit losses on accounts and notes receivable	(179)	(27)	(402)
Gain on sale or disposal of property and equipment	—	(247)	(37)
Expense recorded for stock compensation	332	273	438
Changes in operating assets and liabilities:			
Accounts receivable	927	(1,194)	227
Refundable income taxes	6	(18)	299
Inventories	1,168	(297)	(879)
Other current assets	(438)	50	(101)
Accounts payable	32	1,109	975
Accrued liabilities	(293)	(1,316)	999
Contract liabilities	(63)	(85)	(115)
Net cash used in operating activities of continuing operations	(1,810)	(6,595)	(2,396)
Net cash used in operating activities of discontinued operations	—	—	(39)
Net cash used in operating activities	(1,810)	(6,595)	(2,435)
Cash Flows from Investing Activities			
Addition to notes receivable	-	-	(136)
Repayments received on notes receivable	97	201	164
Proceeds from the sale or distribution of assets	-	2,265	112
Purchases of property and equipment	(569)	(3,762)	(3,017)
Acquisition of company-owned store	(165)	-	-
Increase in other assets	(127)	(359)	-
Other	-	-	9
Net cash used in investing activities of continuing operations	(764)	(1,655)	(2,868)
Net cash provided by investing activities of discontinued operations	-	-	1,418
Net cash used in investing activities	(764)	(1,655)	(1,450)
Cash Flows from Financing Activities			
Proceeds from line of credit	-	2,200	1,250
Proceeds from notes payable	1,800	6,000	-
Payment on line of credit	-	(3,450)	-
Payment on notes payable	(1,200)	-	-
Payment of debt issuance costs	(10)	(50)	-
Stock issuance costs	(218)	-	-
Issuance of common stock through securities purchase agreement	2,700	2,188	-
Net cash provided by financing activities	3,072	6,888	1,250
Net Increase (Decrease) in Cash and Cash Equivalents	498	(1,362)	(2,635)
Cash and Cash Equivalents, Beginning of Year	720	2,082	4,717
Cash and Cash Equivalents, End of Year	$ 1,218	$ 720	$ 2,082

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

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The accompanying consolidated financial statements include the accounts of Rocky Mountain Chocolate Factory, Inc., a Delaware corporation, its wholly-owned subsidiaries, Rocky Mountain Chocolate Factory, Inc. (a Colorado corporation) and U-Swirl, Inc. ("SWRL"), and its previous wholly-owned subsidiaries, Aspen Leaf Yogurt, LLC (dissolved in November 2023) and U-Swirl International, Inc. (dissolved in October 2023) ("U-Swirl"), (collectively, the "Company", or "RMCF").

The Company is an international franchisor, confectionery producer and retail operator. Founded in 1981 and headquartered in Durango, Colorado, the Company produces produce an extensive line of premium chocolate and other confectionery products. The Company's revenues and profitability are derived principally from its franchised and licensed system of retail stores that feature chocolate and other confectionery products including gourmet caramel apples.

On February 24, 2023 the Company entered into an agreement to sell its three Company-owned U-Swirl locations. Separately, on May 1, 2023, subsequent to the 2023 fiscal year end, the Company entered into an agreement to sell its franchise rights and intangible assets related to U-Swirl and associated brands. As a result, the activities of the Company's U-Swirl subsidiary that have historically been reported in the U-Swirl segment have been reported as discontinued operations. See Note 16 – Discontinued Operations for additional information regarding the Company's discontinued operations, including net sales, operating earnings and total assets by segment. The Company's financial statements reflect continuing operations only, unless otherwise noted.

The Company's revenues are currently derived from four 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; sales at Company-owned stores of chocolates and other confectionery products including gourmet caramel apples; and marketing fees.

The Company does not have a material amount of financial assets or liabilities that are required under United States Generally Accepted Accounting Principles ("GAAP") to be measured on a recurring basis at fair value. The Company is not a party to any material derivative financial instruments. The Company does not have a material amount of non-financial assets or non-financial liabilities that are required under GAAP to be measured at fair value on a recurring basis. The Company has not elected to use the fair value measurement option, as permitted under GAAP, for any assets or liabilities for which fair value measurement is not presently required. The Company believes the fair values of cash equivalents, accounts and notes receivable, and accounts payable approximate their carrying amounts due to their short duration. The note payable approximates fair value due to the interest rates being consistent with market rates

The following table summarizes the number of stores operating under the Rocky Mountain Chocolate Factory brand at February 28, 2026:

	Stores Open at 2/28/2025	Opened	Closed	Transferred / Acquired	Stores Open at 2/28/2026
Rocky Mountain Chocolate Factory					
Company-owned stores	2	-	-	1	3
Franchise stores - Domestic stores and kiosks	138	3	(4)	(1)	136
International license stores	3	-	-	-	3
Cold Stone Creamery - co-branded	107	-	(6)	-	101
SWRL - co-branded	10	-	-	-	10
Total	260				253

Liquidity and Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. In accordance with ASC 205-40, Going Concern, the Company's management has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the accompanying financial statements were issued. During the year ended February 28, 2026, the Company incurred a net loss of $4.6 million and had negative cash flows from operating activities of $1.8 million. Although the Company entered into a securities purchase agreement with ARM-D Rocky Mountain Chocolate Holdings, LLC (the "Purchaser") on December 18, 2025, where the Purchaser agreed to subscribe for and purchase, and the Company agreed to issue and sell to the Purchaser, an aggregate of 1,500,000 shares of the Company's common stock at a price per share of $1.80, for total gross proceeds of approximately $2.7 million, less stock issuance costs of $0.2 million, the Company still has incurred losses and had negative cash flow from operating activities. The Company was also not in compliance with the maximum liabilities to tangible net worth covenant of 2.0:1.0 as of February 28, 2026 for both of its debt agreements (See Note 8); however, the Company has received a waiver through August 31, 2026 for both debt agreements as of the date of issuance of these financial statements. The Company also continues to rely on debt and equity financing to support its operating activity. These factors raise substantial doubt about the Company's ability to continue as a going concern within one year of the date that these consolidated financial statements are issued. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company's ability to continue as a going concern is dependent on its ability to continue to implement its business plan. The Company continues to explore supplemental liquidity resources and alternatives sources of debt financing to reduce interest expense. The Company intends to continue to reduce overhead costs, improve manufacturing efficiencies, and increase profits and gross margins by better aligning its costs with the delivery and sale to its franchise system, current and new specialty market customers and e-commerce customers. The Company also intends to develop and enhance third-party delivery channels for all current and new franchised locations, including introducing new websites for each location which is expected to increase franchise sales. The Company has implemented a corporate sales strategy to add new stores and transfer existing stores to new owners when appropriate, while also requiring most existing stores to undergo a remodel which has historically resulted in increased store level sales after completion. There are no assurances that the Company will be successful in implementing its business plan.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements, which include the accounts of the Company and its subsidiaries, have been prepared in conformity with GAAP. All intercompany balances and transactions have been eliminated in consolidation.

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. Significant items subject to such estimates and assumptions include the estimate of the reserve for uncollectible accounts, revenue recognition, and reserves to reduce inventory to net realizable value. The Company bases its estimates on historical experience and also on assumptions that the Company believes are reasonable. The Company assesses these estimates on a regular basis; however, actual results could materially differ from these estimates.

Assets Held for Sale

The Company classifies an asset as held for sale when management, having the authority to approve the action, commits to a plan to sell the asset, the sale is probable within one year and the asset is available for immediate sale in its present condition. The Company also considers whether an active program to locate a buyer has been initiated, whether the asset is marketed actively for sale at a price that is reasonable in relation to its current fair value and whether actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The Company initially measures an asset that is classified as held for sale at the lower of its carrying amount or fair value less costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized until the date of sale. The Company assesses the fair value of an asset less costs to sell each reporting period it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying amount of the asset, as long as the new carrying amount does not exceed the carrying amount of the asset at the time it was initially classified as held for sale. Assets are not depreciated or amortized while they are classified as held for sale.

In the first quarter of fiscal year ("FY") 2025, the Company commenced its plan to sell an unused parcel land in Durango, Colorado where the Company is headquartered. On July 10, 2024, the Company sold its parcel of land in Durango, Colorado for a purchase price of approximately $0.9 million, and recorded a gain of approximately $0.5 million in connection with the sale.

In the first quarter of FY 2025, the Company commenced its plan to sell a piece of factory machinery. During the third quarter of FY 2025, the Company sold the piece of machinery for $0.7 million. In connection with the sale the Company recorded a loss of $46 thousand. The Company did not have any other assets held for sale as of February 28, 2026.

Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. As of the balance sheet date, and periodically throughout the year, the Company has maintained balances in various operating accounts in excess of federally insured limits.

Accounts and Notes Receivable

Accounts receivable represent amounts due from customers in the ordinary course of business and are recorded at the invoiced amount and do not bear interest. Notes receivable generally arise from the sale of assets. Accounts and notes receivable are stated at the net amount expected to be collected, using an estimate of current expected credit losses to determine the allowance for expected credit losses. The Company evaluates the collectability of its accounts and notes receivable and determines the appropriate allowance for expected credit losses based on a combination of factors, including the aging of the receivables and historical collection trends. When the Company is aware of a customer’s inability to meet its financial obligation, the Company may individually evaluate the related receivable to determine the allowance for expected credit losses. The Company uses specific criteria to determine uncollectible receivables to be written off, including bankruptcy filings, the referral of customer accounts to outside parties for collection, and the length that accounts remain past due. As of February 28, 2026, the Company had $2.5 million of accounts receivable outstanding, inclusive of an allowance for credit losses of $0.1 million. As of February 28, 2025, the Company had $3.4 million of accounts receivable outstanding, inclusive of an allowance for credit losses of $0.3 million. As of February 29, 2024, the Company had $2.2 million of accounts receivable outstanding, inclusive of an allowance for credit losses of $0.3 million.

On February 28, 2026, the Company had total notes receivable of $0.1 million and an allowance for credit losses of $28 thousand associated with these notes, compared to $0.1 million of notes receivable outstanding and an allowance for credit losses of $28 thousand on February 28, 2025 and $1.2 million of notes receivable outstanding and an allowance for credit losses of $30 thousand on February 29, 2024. The notes require monthly payments and bear interest rates between 7.0% and 8.0%. The notes mature through December 2027 and all of the notes receivable are secured by the assets of the location. The Company may experience the failure of its wholesale customers, including its franchisees, to whom it extends credit to pay amounts owed to the Company on time, or at all.

In July 2024, the Company and Isaac Lee Collins, LLC entered into a Promissory Note and Security Assignment and Assumption Agreement (the “Agreement”) related to the outstanding U-Swirl promissory note which had an outstanding principal and accrued interest balance of $1.0 million. Pursuant to the terms of the Agreement, the Company irrevocably assigned and transferred to the purchaser all of its right, title, and interest in and to the U-Swirl promissory note and the purchaser agreed to assume the same in consideration of $0.7 million. The Company recorded a loss of $0.2 million in connection with the sale and is included within gain on disposal of assets on the statements of operations as of February 28, 2025.

Inventories

Inventories are stated at the lower of cost or net realizable value, which is adjusted for obsolete, damaged and excess inventories as well as differences between physical counts and perpetual inventory. The inventory value is determined through analysis of items held in inventory, and, if the recorded value is higher than the net realizable value, the Company records an expense to reduce inventory to its actual net realizable value. The process by which the Company performs its analysis is conducted on an item-by-item basis and takes into account, among other relevant factors, net realizable value, sales history and future sales potential. Cost is determined using the first-in, first-out method.

Property and Equipment and Other Assets

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method based upon the estimated useful life of the asset, which ranges from five to thirty-nine years. Leasehold improvements are amortized on the straight-line method over the lives of the respective leases or the service lives of the improvements, whichever is shorter.

The Company reviews its long-lived assets through analysis of estimated fair value, including identifiable intangible assets, whenever events or changes indicate the carrying amount of such assets may not be recoverable.

Acquisitions of Company-owned Stores

Acquisitions that do not meet the definition of a business are accounted for as asset acquisitions. In such transactions, the Company records the acquired assets and liabilities based on the total cost of the acquisition, including transaction costs. The total consideration transferred is allocated to the individual assets acquired and liabilities assumed on a relative fair value basis. No goodwill is recognized in an asset acquisition. Transaction costs associated with asset acquisitions are capitalized as part of the cost of the assets acquired.

Income Taxes

The Company provides for income taxes pursuant to the asset and liability method. The asset and liability method requires recognition of deferred income taxes based on temporary differences between financial reporting and income tax basis of assets and liabilities, using current enacted income tax rates and regulations. These differences will result in taxable income or deductions in future years when the reported amount of the asset or liability is recovered or settled, respectively. Considerable judgment is required in determining when these events may occur and whether recovery of an asset, including the utilization of a net operating loss or other carryforward prior to its expiration, is more likely than not. The Company has recorded a deferred tax asset related to historical U-Swirl losses and has determined that these losses are restricted due to a limitation on the deductibility of future losses in accordance with Section 382 of the Internal Revenue Code as a result of the foreclosure transaction. The Company's temporary differences are listed in Note 13.

Gift Card Breakage

The Company and its franchisees sell gift cards that are redeemable for product in stores. The Company manages the gift card program, and therefore collects all funds from the activation of gift cards and reimburses franchisees for the redemption of gift cards in their stores. A liability for unredeemed gift cards is included in current liabilities in our balance sheets.

There are no expiration dates on the Company's gift cards, and the Company does not charge any service fees. While the Company's franchisees continue to honor all gift cards presented for payment, the Company may determine the likelihood of redemption to be remote for certain cards due to long periods of inactivity. The Company recognizes breakage from gift cards when the gift card is redeemed by the customer or the Company determines the likelihood of the gift card being redeemed by the customer is remote ("gift card breakage"). The determination of the gift card breakage rate is based upon Company-specific historical redemption patterns. Accrued gift card liability was $0.7 million and $0.6 million at February 28, 2026 and February 28, 2025, respectively. The Company recognized no breakage during FY 2026 and FY 2025.

Goodwill

Goodwill arose primarily from two transaction types. The first type was the purchase of various retail stores, either individually or as a group, for which the purchase price was in excess of the fair value of the assets acquired. The second type was from business acquisitions, where the fair value of the consideration given for acquisition exceeded the fair value of the identified assets net of liabilities.

The Company performs a goodwill impairment test on an annual basis, generally the first day of its fourth quarter, or more frequently when events or circumstances indicate that the carrying value of a reporting unit more likely than not exceeds its fair value. The recoverability of goodwill is evaluated through a comparison of the fair value of each of the Company's reporting units with its carrying value. To the extent that a reporting unit's carrying value exceeds the implied fair value of its goodwill, an impairment loss is recognized. The Company's goodwill is further described in Note 7 to the financial statements.

There have been no impairment charges to goodwill during FY 2026 , FY 2025, or FY 2024.

Intangible Assets

Intangible assets represent non-physical assets that create future economic value and are primarily composed of store designs and trademarks. Intangible assets are amortized on a straight line basis over periods ranging from 5 years to 20 years based on the expected future economic value of the intangible asset. Intangible assets are recorded at their cost. The Company performs intangible asset impairment testing on an annual basis or more frequently when events or circumstances indicate that the carrying value of a reporting unit more likely than not exceeds its fair value. The Company's intangible assets are further described in Note 7 to the financial statements.

Insurance and Self-Insurance Reserves

The Company uses a combination of insurance and self-insurance plans to provide for the potential liabilities for workers' compensation, general liability, property insurance, director and officers' liability insurance, vehicle liability and employee health care benefits. Liabilities associated with the risks that are retained by the Company are estimated, in part, by considering historical claims experience, demographic factors, severity factors and other assumptions. While the Company believes that its assumptions are appropriate, the estimated accruals for these liabilities could be significantly affected if future occurrences and claims differ from these assumptions and historical trends.

Sales

The Company has performance obligations to sell products to franchisees and other customers, and revenue is recognized at a point in time when control of the products is transferred to the customer. Control is transferred when the order has been shipped to a customer, utilizing a third party, or at the time of delivery when shipped on the Company's trucks. Revenue is measured based on the amount of consideration that is expected to be received by the Company for providing goods or services under a contract with a customer. Sales of products to franchisees and other customers are made at standard prices, without any bargain sales of equipment or supplies. Sales of products at retail stores are recognized at the time of sale.

Rebates

Rebates received from purveyors that supply products to the Company's franchisees are included in franchise royalties and fees. Product rebates are recognized in the period in which they are earned. Rebates related to Company-owned locations are offset against operating costs.

Shipping Fees

Shipping fees charged to customers for delivery on Company trucks are reported as sales. Shipping costs incurred by the Company for inventory are reported as cost of sales or inventory.

Franchise and Royalty Fees

The Company recognizes franchise fees over the term of the associated franchise agreement, which is generally a period of 10 years. In addition to the initial franchise fee, the Company currently recognizes a marketing and promotion fee of one percent (1%) of franchised stores' gross retail sales and a royalty fee based on gross retail sales. The Company has the discretion to set its marketing and promotion fees from 0% to 3% with proper notice to franchisees. Franchisees pay a monthly royalty to the Company based on specific criteria established in the applicable franchise agreement.

Stock-Based Compensation

Under the Company's previous 2007 Equity Incentive Plan (as amended and restated, the "2007 Plan"), the Company could authorize and grant stock awards to employees, non-employee directors and certain other eligible participants, including stock options, restricted stock and restricted stock units. Effective June 2024, the Board authorized 600,000 new shares, along with 300,851 unused and available shares and 131,089 shares granted and outstanding from the 2007 Equity Incentive Plan, to form the 2024 Equity Incentive Plan ("2024 Plan") with a total of 1,031,940 shares. Stock-based compensation expense related to stock awards is measured based on the fair value of the awards granted and recognized as an expense over the requisite service period.

The fair value of each RSU award is based on the fair value of the underlying common stock as of the grant date. Stock-based compensation expense is recognized on a straight-line basis over the requisite service period, generally vested at the grant date or over a period of two to three years.

The Company accounts for forfeitures as they occur.

Related Party Transactions

On November 26, 2024, the Company entered into a letter agreement with GVIC. The negotiation of the Agreement was overseen by an ad hoc committee of disinterested directors of the Company. Jeffrey R. Geygan, the a member of the Board and current Interim CEO of the Company, was the previous chief executive officer and principal of GVIC, was not a member of that committee. The Agreement provides that GVIC will have the right to designate one individual to the Board of Directors. In addition, the Company will cooperate in good faith with GVIC to mutually agree upon one additional individual to serve as an independent director on the Board. For the period from the effective date of the Agreement continuing through the day that is 15 days prior to the deadline for submission of stockholder proposals for the Company's 2027 annual meeting of stockholders, the Board will have no more than seven members. Also, if at any time GVIC no longer beneficially owns shares of the Company's common stock representing in the aggregate more than 10 percent of the Company's common stock then-outstanding, then its designated Board member will promptly offer to resign from the Board. The Company reimbursed GVIC for $0.1 million of legal fees associated with executing the agreement.

On September 30, 2024, the Company entered into a credit agreement (the "Credit Agreement") with a lender, RMC Credit Facility, LLC ("RMC"). RMC is a related party of the Company as a member of the Company's board of directors was involved and an investor with the Credit Agreement. Pursuant to the Credit Agreement, the Company received an advance in the principal amount of $6.0 million, which advance is evidence by a promissory note (the "Note"). The Note matures on September 30, 2027 (the "Maturity Date"), and interest will accrue at a rate of 12% per annum and is payable monthly in arrears. All outstanding principal and interest will be due on the Maturity Date. The Credit Agreement is collateralized by the Company's Durango real estate property and the related inventory and property, plant and equipment located on that property, as well as the Company's accounts receivable and cash accounts. On August 28, 2025, the Company entered into a first amendment to the Credit Agreement. RMC agreed to make an additional advance to the Company in the principal amount of $0.6 million. There was no change to other terms of the agreement.

On August 28, 2025, the Company entered into a new credit agreement ("RMCF2 Credit Agreement") with RMCF2 Credit, LLC ("RMCF2"), a special purpose investment entity affiliated with Jeffrey R. Geygan, the Company's Interim Chief Executive Officer and one of the members of the Company's board of directors. Pursuant to the new credit agreement, the Company received an advance in the principal amount of $1.2 million, which advance is evidenced by a promissory note (the "RMCF2 Note"). The RMCF2 Note matures on September 30, 2027 and interest accrues at a rate of 12% per annum and is payable monthly in arrears. All outstanding principal and interest will be due on the maturity date. The RMCF2 Credit Agreement is collateralized by the Company's Durango real estate property and the related inventory and property, plant and equipment located on that property, as well as the Company's accounts receivable and cash accounts.

Earnings Per Share

Basic earnings per share is computed as net earnings divided by the weighted average number of common shares outstanding during each year. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through stock options and restricted stock units.

The weighted-average number of shares outstanding used in the computation of diluted earnings per share does not include outstanding common shares issuable if their effect would be anti-dilutive. During the year ended February 28, 2026, 194,189 shares of common stock that were issuable upon the vesting of restricted stock units were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive. During the year ended February 28, 2025, 235,664 shares of common stock that were issuable upon the vesting of restricted stock units excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive. During the year ended February 29, 2024, 960,677 shares of common stock that were issuable upon exercise of warrants, 160,958 shares of common stock that were issuable upon the vesting of restricted stock units, and 17,698 shares of common stock that were issuable upon the exercise of options were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.

Advertising and Promotional Expenses

The Company expenses advertising costs as incurred. Total advertising expenses amounted to $0.2 million, $0.7 million, and $0.7 million for the years ended February 28, 2026, February 28, 2025, and February 29, 2024 respectively.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade and notes receivables, accounts payables, and notes payable. The fair value of all instruments approximates the carrying value, because of the relatively short maturity of these instruments. The note payable approximates fair value due to the interest rates being consistent with market rates. All of the Company’s financial instruments are classified as level 1 assets within the fair value hierarchy. The Company does not have any financial instruments classified as level 3 assets.

Recently Adopted Accounting Pronouncements

Except for the recent accounting pronouncements described below, other recent accounting pronouncements are not expected to have a material impact on the Company's consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”). ASU 2023-09 requires disaggregated information about a reporting entity’s effective tax rate reconciliation as well as information on income taxes paid. The updates in this ASU are effective for annual periods beginning after December 15, 2024. The Company adopted this pronouncement effective March 1, 2025 and the impact of the new standard did not have a material impact on its consolidated financial statements.

New Accounting Pronouncements Not Yet Adopted

In November 2024, the FASB issued Accounting Standards Update 2024-03, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses (“ASU 2024-03”), which requires disaggregated information about certain income statement expense line items on an annual and interim basis. ASU 2024-03 is effective for annual periods beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted and can be applied prospectively or retrospectively. The Company is evaluating the impact of the adoption of this standard on the Company’s financial statements and related disclosures.

NOTE 2 – SUPPLEMENTAL CASH FLOW INFORMATION

For the three years ended February 28 or 29:

($'s in thousands) Cash paid (received) for:	2026	2025	2024
Interest	$ 840	$ 454	$ 25
Income taxes	(6)	88	(299)
Supplemental disclosure of non-cash operating activities:			
Inventory accrued but not yet paid	$ 240	$ 297	$ -
Non-cash additions to operating lease right of use assets and liabilities	539	-	-
Supplemental disclosure of non-cash investing activities:			
Accounts receivable exchanged for notes receivable	$ 112	$ -	$ -
Sale of assets in exchange for note receivable	-	-	1,000

NOTE 3 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company recognizes revenue from contracts with its customers in accordance with Accounting Standards Codification® (“ASC”) 606, which provides that revenues are recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. The Company generally receives a fee associated with the franchise agreement or license agreement (collectively “Customer Contracts”) at the time that the Customer Contract is entered. These Customer Contracts have a term of up to 20 years, however the majority of Customer Contracts have a term of 10 years. During the term of the Customer Contract, the Company is obligated to many performance obligations that the Company has not determined are distinct. The resulting treatment of revenue from Customer Contracts is that the revenue is recognized proportionately over the life of the Customer Contract.

Initial Franchise Fees, License Fees, Transfer Fees and Renewal Fees

The initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement and are treated as a single performance obligation. Initial franchise fees are being recognized as the Company satisfies the performance obligation over the term of the franchise agreement, which is generally 10 years.

The following table summarizes contract liabilities as of February 28, 2026 and February 28, 2025:

	Years Ended February 28:	
($'s in thousands)	2026	2025
Contract liabilities at the beginning of the year:	$ 743	$ 829
Revenue recognized	(204)	(188)
Contract fees received	141	102
Contract liabilities at the end of the year:	$ 680	$ 743

At February 28, 2026, annual revenue expected to be recognized in the future, related to performance obligations that are not yet fully satisfied, are estimated to be the following (amounts in thousands):

2027	$ 105
2028	101
2029	91
2030	81
2031	72
Thereafter	230
Total	$ 680

Gift Cards

The Company's franchisees sell gift cards, which do not have expiration dates or non-usage fees. The proceeds from the sale of gift cards by the franchisees are accumulated by the Company and paid out to the franchisees upon customer redemption. ASC 606 requires the use of the "proportionate" method for recognizing breakage. The Company recognizes breakage from gift cards when the gift card is redeemed by the customer or the Company determines the likelihood of the gift card being redeemed by the customer is remote ("gift card breakage"). The determination of the gift card breakage rate is based upon Company-specific historical redemption patterns. The Company recognized no breakage revenue during FY 2026 and FY 2025 and recognized breakage revenue of $40 thousand during FY 2024.

Durango Product Sales of Confectionery Items, Retail Sales and Royalty and Marketing Fees

Durango Products Sales are those sold from the Company's factory in Durango Colorado. Retail sales include products sold in the retail store locations. Confectionery items sold to the Company's franchisees, others and its Company-owned stores' sales are recognized at the time of the underlying sale, based on the terms of the sale and when ownership of the inventory is transferred, and are presented net of sales taxes and discounts. Royalties and marketing fees from franchised or licensed locations, which are based on a percent of sales are recognized at the time the sales occur.

NOTE 4 – DISAGGREGATION OF REVENUE

The following tables present disaggregated revenue by the method of recognition and segment:

For the Year Ended February 28, 2026

Revenues recognized over time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Franchise fees	$ 204	-	$ -	$ 204

Revenues recognized at a point in time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Durango Product sales	$ -	$ 19,388	$ -	$ 19,388
Retail sales	-	-	1,974	1,974
Royalty and marketing fees	5,931	-	-	5,931
Total revenues recognized over time and point in time	$ 6,135	$ 19,388	$ 1,974	$ 27,497

For the Year Ended February 28, 2025

Revenues recognized over time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Franchise fees	$ 188	$ -	$ -	$ 188

Revenues recognized at a point in time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Durango Product sales	$ -	$ 22,549	$ -	$ 22,549
Retail sales	-	-	1,466	1,466
Royalty and marketing fees	5,376	-	-	5,376
Total revenues recognized over time and point in time	$ 5,564	$ 22,549	$ 1,466	$ 29,579

For the Year Ended February 29, 2024

Revenues recognized over time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Franchise fees	$ 168	$ -	$ -	$ 168

Revenues recognized at a point in time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Durango Product sales	$ -	$ 20,703	$ -	$ 20,703
Retail sales	-	-	1,319	1,319
Royalty and marketing fees	5,761	-	-	5,761
Total revenues recognized over time and point in time	$ 5,929	$ 20,703	$ 1,319	$ 27,951

NOTE 5 – INVENTORIES

Inventories consist of the following at February 28:

($'s in thousands)	2026	2025
Ingredients and supplies	$ 2,156	$ 2,864
Finished candy	2,057	2,277
Reserve for obsolete inventory	(156)	(511)
Total inventories	$ 4,057	$ 4,630

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at February 28:

($'s in thousands)	2026	2025
Land	$ 124	$ 124
Building	5,574	5,415
Machinery and equipment	15,278	14,904
Furniture and fixtures	720	519
Leasehold improvements	136	136
Transportation equipment	326	326
	22,158	21,424
Less accumulated depreciation	(13,383)	(12,015)
Property and equipment, net	$ 8,775	$ 9,409

Depreciation expense related to property and equipment totaled $1.4 million, $0.9 million and $0.9 million during the fiscal years ended February 28, 2026, February 28, 2025 and February 29, 2024, respectively.

NOTE 7 – GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following at February 28:

		2026		2025	
($'s in thousands)	Amortization Period (in Years)	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Intangible assets subject to amortization					
Store design	10	$ 954	$ (321)	$ 395	$ (295)
Trademark/Non-competition agreements	5 - 20	250	(150)	259	(149)
Total		1,204	(471)	654	(444)
Goodwill and intangible assets not subject to amortization					
Goodwill					
Retail		$ 362		$ 362	
Franchising		97		97	
Manufacturing		97		97	
Trademark		20		20	
Total		576		576	
Total Goodwill and Intangible Assets		$ 1,780	$ (471)	$ 1,230	$ (444)

There was no change to goodwill during the fiscal years ended February 28, 2026 and February 28, 2025.

Amortization expense related to intangible assets totaled $37 thousand, $27 thousand and $28 thousand during the fiscal years ended February 28, 2026, February 28, 2025 and February 29, 2024, respectively.

At February 28, 2026, annual amortization of intangible assets, based upon the Company's existing intangible assets and current useful lives, is estimated to be the following (amounts in thousands):

2027	$	83
2028		83
2029		83
2030		83
2031		79
Thereafter		322
Total	$	733

NOTE 8 – NOTES PAYABLE

Note Payable with RMC Credit Facility, LLC

On September 30, 2024, the Company entered into a credit agreement (the "Credit Agreement") with a lender, RMC Credit Facility, LLC ("RMC"). RMC is a related party of the Company as a member of the Company's board of directors was involved and an investor with the Credit Agreement. Pursuant to the Credit Agreement, the Company received an advance in the principal amount of $6.0 million, which advance is evidence by a promissory note (the "Note"). The Note matures on September 30, 2027 (the "Maturity Date"), and interest will accrue at a rate of 12% per annum and is payable monthly in arrears. All outstanding principal and interest will be due on the Maturity Date. The Credit Agreement is collateralized by the Company's Durango real estate property and the related inventory and property, plant and equipment located on that property, as well as the Company's accounts receivable and cash accounts.

In connection with the Credit Agreement, the Company entered into a Deed of Trust with RMC and the Public Trustee of La Plata County, Colorado with respect to the Company's property in Durango, Colorado.

The proceeds of the Credit Agreement were used as follows: (i) $3.5 million was used to repay the Wells Fargo Credit Agreement and (ii) the remaining balance was used for continued capital investment and working capital needs. The Credit Agreement contains customary events of default, including nonpayment of principal and interest when due, failure to comply with covenants, and a change of control of the Company, as well as customary affirmative and negative covenants, including, without limitation, certain reporting obligations and certain limitations on liens, encumbrances, and indebtedness. The Credit Agreement also limits capital expenditures to $3.5 million per year and contains two financial covenants measured quarterly: a maximum ratio of total liabilities to total net worth and a minimum current ratio. The Company incurred $0.1 million of loan origination fees, included as a debt discount and reduction of the notes payable on the balance sheet.

On August 28, 2025, the Company entered into a first amendment to the Credit Agreement. RMC agreed to make an additional advance to the Company in the principal amount of $0.6 million. There was no change to other terms of the agreement. In connection with the amendment, the Company and RMC agreed to waive the financial covenant providing for a maximum ratio of total liabilities to total net worth for the fiscal year ended February 28, 2026. Loan origination fees incurred are immaterial.

As of February 28, 2026, the Company had $6.0 million outstanding on the Credit Agreement. Interest on the outstanding amount was paid through February 28, 2026. The Company was not in compliance with the liabilities to tangible net worth covenant of 2.0:1.0 as of February 28, 2026. The Company has received a waiver from RMC through August 31, 2026 as of the date of issuance of these financial statements and is in compliance with all other aspects of the Credit Agreement.

In December 2025, the Company repaid $0.6 million of the $6.6 million outstanding.

Credit Agreement with RMCF2 Credit, LLC

On August 28, 2025, the Company entered into a new credit agreement ("RMCF2 Credit Agreement") with RMCF2 Credit, LLC ("RMCF2"), a special purpose investment entity affiliated with Jeffrey R. Geygan, the Company's Interim Chief Executive Officer and one of the members of the Company's board of directors. Pursuant to the new credit agreement, the Company received an advance in the principal amount of $1.2 million, which advance is evidenced by a promissory note (the "RMCF2 Note"). The RMCF2 Note matures on September 30, 2027 and interest accrues at a rate of 12% per annum and is payable monthly in arrears. All outstanding principal and interest will be due on the maturity date. The RMCF2 Credit Agreement is collateralized by the Company's Durango real estate property and the related inventory and property, plant and equipment located on that property, as well as the Company's accounts receivable and cash accounts.

The RMCF2 Credit Agreement contains customary events of default, including nonpayment of principal and interest when due, failure to comply with covenants, and a change of control of the Company, as well as customary affirmative and negative covenants, including, without limitation, certain reporting obligations and certain limitations on liens, encumbrances, and indebtedness. The RMCF2 Credit Agreement also limits capital expenditures to $3.5 million per year and contains two financial covenants measured quarterly: a maximum ratio of total liabilities to total net worth and a minimum current ratio. Pursuant to the RMCF2 Credit Agreement, RMCF2 waived the financial covenant providing for a maximum ratio of total liabilities to total net worth for the year ending February 28, 2026. Loan origination fees incurred are immaterial.

In connection with the RMCF2 Credit Agreement, the Company entered into a Deed of Trust with RMCF2 and the Public Trustee of La Plata County, Colorado with respect to the Company's property in Durango, Colorado.

On February 28, 2026, the Company had $0.6 million outstanding on the RMCF2 Credit Agreement. The Company was not in compliance with the maximum liabilities to tangible net worth covenant of 2.0:1.0, and received a waiver through August 31, 2026 of such covenant in connection with the RMCF2 Credit Agreement. As of the date of the issuance of these financial statements, the Company is in compliance with all other aspects of the RMCF2 Credit Agreement. As of February 28, 2026, the Company repaid $0.6 million of the $1.2 million principal amount.

NOTE 9 – COMMON STOCK

Securities Purchase Agreement

On August 5, 2024, the Company entered into securities purchase agreements with Steven L. Craig, an existing director of the Company and American Heritage Railways, Inc. a company affiliated with Allen C. Harper who joined the board of directors in December 2024 (the "Investors"), pursuant to which, among other things, the Investors agreed to subscribe for and purchase, and the Company agreed to issue and sell to the Investors, an aggregate of 1,250,000 of shares of the Company's common stock at a price per share equal to $1.75, for total proceeds of approximately $2.2 million. On September 5, 2024, the shares were subsequently registered for resale on a form S-1 that was declared effective by the SEC on October 9, 2024.

On December 18, 2025, the company entered into a securities purchase agreement with the Purchaser pursuant to which, among other things, the Purchaser agreed to subscribe for and purchase, and the Company agreed to issue and sell to the Purchaser, an aggregate of 1,500,000 shares of the Company's common stock at a price per share of $1.80, for total gross proceeds of approximately $2.7 million, less stock issuance costs of $0.2 million. The shares were subsequently registered for resale by the Purchaser on a Form S-1 that was declared effective by the SEC on February 13, 2026.

Stock Compensation Plans

Under the Company's previous 2007 Equity Incentive Plan, the Company may authorize and grant stock awards to employees, non-employee directors and certain other eligible participants, including stock options, restricted stock and restricted stock units. Effective June 2024, the Board authorized 600,000 new shares, along with 300,851 unused and available shares and 131,089 shares granted and outstanding from the 2007 Plan, to form the 2024 Plan with a total of 1,031,940 shares. As of February 28, 2026, 565,494 shares were available for issuance.

The following table summarizes non-vested restricted stock unit activity for common stock during the years ended February 28 or 29, 2026, 2025, and 2024:

	Years Ended February 28 or 29:		
	2026	2025	2024
Outstanding non-vested restricted stock units at beginning of year:	235,664	160,958	154,131
Granted	121,729	502,880	157,145
Vested	(132,446)	(166,147)	(48,890)
Cancelled/forfeited	(30,758)	(262,027)	(101,428)
Outstanding non-vested restricted stock units as of February 28 or 29:	194,189	235,664	160,958
Weighted average grant date fair value	$ 1.93	$ 2.52	$ 5.59
Weighted average remaining vesting period (in years)	0.58	1.27	1.94

Total unrecognized stock-based compensation expense for non-vested restricted stock units was approximately $0.3 million, and is expected to be recognized over the next 1.2 years.

The following table summarized stock option activity during the years ended February 28 or 29:

	Years Ended February 28 or 29:		
	2026	2025	2024
Outstanding stock options at beginning of year:	-	17,698	36,144
Granted	—	-	-
Exercised	—	-	-
Cancelled/forfeited	—	(17,698)	(18,446)
Outstanding stock options as of February 28 or 29:	-	-	17,698
Weighted average exercise price	$ -	$ -	$ 6.49
Weighted average remaining contractual term (in years)	-	-	8.26

During the year ended February 28, 2026, the Company issued a total of 121,729 restricted stock units, inclusive of the 2024 Plan and non-plan awards, which are subject to vesting over time. These issuances were made to certain of the Company's executives and members of the board of directors. These restricted stock units were issued with an aggregate grant date fair value of $0.2 million or $1.93 per share.

During the year ended February 28, 2025, the Company issued a total of 502,880 restricted stock units, inclusive of the 2024 Plan and non-plan awards, which are subject to vesting over time. These issuances were made to certain of the Company's executives. These restricted stock units were issued with an aggregate grant date fair value of $1.4 million or $2.88 per share.

During the year ended February 29, 2024, the Company issued a total of 157,145 restricted stock units, inclusive of the 2007 Plan and non-plan awards, of which 95,151 restricted stock units are subject to vesting based on the achievement of Company performance goals and 61,994 restricted stock units that vest over time. These issuances were made to certain of the Company's executives. These restricted stock units were issued with an aggregate grant date fair value of $0.9 million or $5.59 per share. The performance-based restricted stock units and the unvested time-based restricted stock units were forfeited upon termination of the executives to whom the awards were granted.

The Company recognized $0.3 million, $0.3 million and $0.4 million of stock-based compensation expense during the years ended February 28, 2026, February 28, 2025, and February 29, 2024, respectively. Compensation costs related to stock-based compensation are generally amortized over the vesting period of the stock awards.

Except as noted above, restricted stock units generally vest at the grant date or over a period of two to three years. During the years ended February 28 and 29, 2026, 2025, and 2024, restricted stock units which vested and common stock shares issued was 132,446, 166,147 and 48,890, respectively.

Warrants

In connection with a terminated supplier agreement with a former customer of the Company, the Company issued a warrant (the “Warrant”) to purchase up to 960,677 shares of the Company’s common stock (the “Warrant Shares”) at an exercise price of $8.76 per share in 2019. The Warrant Shares were to vest in annual tranches in varying amounts following each contract year under the terminated supplier agreement, and was subject to, and only upon, achievement of certain revenue thresholds on an annual or cumulative five-year basis in connection with its performance under the terminated supplier agreement. The Warrant was to expire six months after the final and conclusive determination of revenue thresholds for the fifth contract year and the cumulative revenue determination in accordance with the terms of the Warrant.

On November 1, 2022, the Company sent a formal notice to the former customer terminating the agreement. As of February 28, 2026, no Warrant Shares had vested and the Company has no remaining material obligations under the Warrant. The warrant expired during the year ended February 28, 2025.

The Company determined that the grant date fair value of the Warrant was de minimis and did not record any amount in consideration of the warrants. The Company utilized a Monte Carlo model for purposes of determining the grant date fair value.

NOTE 10 – LEASING ARRANGEMENTS

The Company conducts its retail operations in facilities leased under non-cancelable operating leases of up to ten years. Certain leases contain renewal options for between five and ten additional years at increased monthly rentals. Some of the leases provide for contingent rentals based on sales in excess of predetermined base levels.

The Company acts as primary lessee for one franchised store premises, which the Company then subleases to franchisee, but the majority of existing franchised locations are leased by the franchisee directly. When the Company-owned location was sold or transferred, the store was subleased to the franchisee who is responsible for the monthly rent and other obligations under the lease.

The Company also leases trucking equipment and warehouse space in support of its production operations. Expense associated with trucking and warehouse leases is included in cost of sales on the consolidated statements of operations.

The Company accounts for payments related to lease liabilities on a straight-line basis over the lease term. During the years ended February 28 or 29, 2026, 2025, and 2024, lease expense recognized in the consolidated statements of operations was $0.6 million, $0.5 million and $0.6 million, respectively.

The lease liability reflects the present value of the Company's estimated future minimum lease payments over the life of its leases. This includes known escalations and renewal option periods reasonably assured of being exercised. Typically, renewal options are considered reasonably assured of being exercised if the sales performance of the location remains strong. Therefore, the right of use asset and lease liability include an assumption on renewal options that have not yet been exercised by the Company and are not currently a future obligation. The Company has separated non-lease components from lease components in the recognition of the Asset and Liability except in instances where such costs were not practical to separate. To the extent that occupancy costs, such as site maintenance, are included in the asset and liability, the impact is immaterial. For franchised locations, the related occupancy costs including property taxes, insurance and site maintenance are generally required to be paid by the franchisees as part of the franchise arrangement. In addition, the Company is the lessee under non-store related leases such as storage facilities and trucking equipment. For leases where the implicit rate is not readily determinable, the Company uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Company would incur to borrow on a collateralized basis over the term of a lease. The weighted average discount rate used for operating leases was 10.29%, 3.9%, and 3.9% as of February 28, 2026, February 28, 2025, and February 29, 2024 respectively. The total estimated future minimum lease payments is $2.2 million as of February 28, 2026.

As of February 28, 2026, maturities of lease liabilities for the Company's operating leases were as follows (amounts in thousands):

FYE 27	$	410
FYE 28		264
FYE 29		236
FYE 30		144
FYE 31		144
Thereafter		975
Total undiscounted lease payments	$	2,173
Less: Imputed interest		(837)
Total lease liabilities:	$	1,336
Lease liabilities, current portion		282
Lease liabilities, net of current portion		1,054
Total lease liabilities	$	1,336

The weighted average lease term at February 28 and 29, 2026, 2025, and 2024 was 8.4 years, 5.8 years, and 5.8 years, respectively.

The following is a schedule of cash paid for lease liabilities for the three years ended February 28 or 29:

($'s in thousands)	2026	2025	2024
Cash paid for amounts included in the measurement of lease liabilities	648	514	544

The Company entered into three new leases during the year ended February 28, 2026, including the lease for the Durango retail location for 15 years in November 2025, for the Camarillo retail location for 10 years in August 2025, and the Miami office location for 3.5 years in August 2025 with a total increase in future lease payments of $1.3 million. The Company did not enter into any new leases during the year ended February 28, 2025. During the year ended February 29, 2024, the Company entered into new leases representing a future lease liability of $0.1 million.

The Company did not have any leases categorized as finance leases as of February 28, 2026 or February 28, 2025.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Purchase contracts

The Company frequently enters into purchase contracts of between five to twelve 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 February 28, 2026, the Company was contracted for approximately $4.6 million of raw materials under such agreements. The Company has designated these contracts as normal under the normal purchase and sale exception under the accounting standards for derivatives. These contracts are not entered into for speculative purposes.

Litigation

From time to time, the Company is involved in litigation relating to claims arising out of its operations. The Company records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. As of February 28, 2026, the Company is involved in the early stages of a legal dispute regarding fulfillment of the agreement to sell franchise rights and intangible assets in connection with the sale of U-Swirl (see Note 16). The Company does not expect this to have a material impact on the business or financial condition. The Company is not a party to any other legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on its business, financial condition or operating results.

NOTE 12 - ACQUISITION OF COMPANY-OWNED STORE

On August 15, 2025, the Company entered into an Asset Purchase Agreement with Crakim, Inc., to purchase substantially all assets related to the operation of a Rocky Mountain Chocolate Factory franchise located at Camarillo Premium Outlets, Camarillo, California. The assets acquired include inventory, equipment, trade fixtures, leasehold improvements, intellectual property, domain names, customer lists, and other tangible and intangible assets specified in the agreement. The Company did not assume any pre-existing liabilities of the seller. As a result of the acquisition, this is the Company's third retail store.

The total purchase price was approximately $0.2 million, consisting of (i) forgiveness of $69 thousand in franchise revenue owed by the seller to the Company, (ii) direct payments to lenders for $86 thousand of outstanding seller debts, and (iii) a holdback amount of $10 thousand, subject to post-closing asset inspection, which was paid in September 2025.

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NOTE 13 – INCOME TAXES

Income tax expense (benefit) is comprised of the following for the years ended February 28 or 29:

($'s in thousands)	2026	2025	2024
Current			
Federal	$ —	$ —	$ —
State	—	—	—
Total Current	—	—	—
Deferred			
Federal	152	—	—
State	35	—	—
Total Deferred	187	—	—
Total	$ 187	$ —	$ —

A reconciliation of the statutory federal income tax rate and the effective rate as a percentage of pretax income is as follows for the years ended February 28 or 29:

	2026	2025	2024
Statutory rate	21.0%	21.0%	21.0%
State income taxes, net of federal benefit	3.6%	0.0%	0.0%
Work opportunity tax credits	0.0%	0.0%	0.0%
Equity compensation tax expense	0.0%	0.0%	0.0%
Compensation and benefits permanent differences	(0.7)%	(0.1)%	(0.2)%
Return to provision	(3.5)%	0.0%	0.0%
Prior year true up	0.8%	0.0%	0.0%
Prior year NOL return to provision	3.0%	0.0%	0.0%
Other	0.2%	(0.1)%	1.6%
Valuation allowance - federal	(22.1)%	(20.8)%	(22.4)%
Valuation allowance - state	(4.1)%	0.0%	0.0%
Federal Depreciation true-up	(2.4)%	0.0%	0.0%
Effective tax rate	(4.3)%	0.0%	(0.0)%

During FY 2026, the Company's effective tax rate was 4.3%. During FY 2025, and FY 2024 the Company's effective tax rate was zero. This was primarily the result of losses reported in the year, no income taxes due, and full valuation allowance against deferred tax assets.

The components of deferred income taxes as of February 28 are as follows:

($'s in thousands)	2026	2025
Deferred Tax Assets		
Allowance for doubtful accounts and notes	$ 38	$ 83
Inventories	39	127
Accrued compensation	69	105
Loss provisions and deferred income	303	347
Self-insurance accrual	—	—
Interest & other	28	30
Restructuring charges	100	100
Right of use liabilities	330	313
Accumulated net losses	6,532	5,223
Valuation allowance	(5,356)	(4,208)
Net deferred tax assets	$ 2,083	$ 2,120
Deferred Tax Liabilities		
Depreciation and amortization	(1,796)	(1,727)
Right of use assets	(324)	(309)
Prepaid expenses	(150)	(84)
Deferred Tax Liabilities	(2,270)	(2,120)
Net deferred tax liability	$ (187)	$ -

The following table summarizes deferred income tax valuation allowances as of February 28:

($'s in thousands)	2026	2025
Valuation allowance at beginning of period	$ 4,208	$ 3,106
Tax expense realized by valuation allowance	1,148	1,102
Valuation allowance at end of period	$ 5,356	$ 4,208

The Company files income tax returns in the U.S. federal and various state taxing jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal and state tax examinations in its major tax jurisdictions for periods before FY 2020.

Realization of the Company's deferred tax assets is dependent upon the Company generating sufficient taxable income, in the appropriate tax jurisdictions, in future years, to obtain benefit from the reversal of net deductible temporary differences. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are changed. A valuation allowance to reduce the carrying amount of deferred income tax assets is established when it is more likely than not that we will not realize some portion or all of the tax benefit of our deferred income tax assets. The Company evaluates, on a quarterly basis, whether it is more likely than not that our deferred income tax assets are realizable based upon recent past financial performance, tax reporting positions, and expectations of future taxable income. The determination of deferred tax assets is subject to estimates and assumptions. The Company periodically evaluates our deferred tax assets to determine if our assumptions and estimates should change.

As of February 28, 2026 and February 28, 2025, the Company had a valuation allowance against its deferred tax assets in the amount of $5.4 million and $4.2 million. The Company accounts for uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized in the consolidated financial statements from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The application of income tax law is inherently complex. As such, the Company is required to make judgments regarding income tax exposures.

Interpretations of and guidance surrounding income tax law and regulations change over time and may result in changes to the Company's judgments which can materially affect amounts recognized in the balance sheets and statements of operations. The result of the assessment of the Company's tax positions did not have an impact on the consolidated financial statements for the years ended February 28, 2026 or 2025. The Company does not have any significant unrecognized tax benefits and does not anticipate a significant increase or decrease in unrecognized tax benefits within the next twelve months. Amounts are recognized for income tax related interest and penalties as a component of general and administrative expense in the statement of income and are immaterial for the years ended February 28, 2026 and 2025.

As of February 28, 2026, we have $26.4 million and $20.6 million of gross federal and state net operating loss ("NOL") carryforwards, $0.8 million of federal NOL and $1 thousand of state NOL will expire in fiscal years 2027 and 2040, and $25.5 million of federal NOL has an indefinite carryforward period. We do not have any federal or state tax credit carryforwards as of February 28,2026.

The Company’s subsidiary, U-Swirl International Inc. ("U-Swirl"), had a history of net operating losses prior to the company’s acquisition of U-Swirl and thus the Company has a related net operating loss carry forward. In accordance with Section 382 of the Internal Revenue Code, deductibility of U-Swirl’s Federal net operating loss carryovers may be subject to annual limitation in the event of a change in control. The Company performed a preliminary evaluation as to whether a change in control took place, and concluded that there was a change of control with respect to the net operating losses of U-Swirl when the Company acquired its controlling ownership interest. The initial limitations limited the deductibility of U-Swirl’s net operating loss carryovers, but the annual loss limitation is deductible to the Company and U-Swirl upon the filing of joint tax returns in FY 2017 and future years. As of the end of fiscal year, the Company liquidated U-Swirl pursuant to IRC Sec 382. As such, the U-Swirl NOLs carryover to the Company along with any IRC Sec 382 limitations that were previously determined.

The Company estimates the potential future tax deductions of U-Swirl’s Federal net operating losses, limited by section 382, to be approximately $1.8M with a resulting deferred tax asset of approximately $0.4M. U-Swirl’s Federal net operating loss carryovers will expire at various dates beginning in fiscal year 2027.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted into law. The legislation included significant changes to the U.S. federal income tax code, effective beginning in the Company’s FY26. The changes included restoration of 100% bonus depreciation, reinstatement of immediate expensing of research and development expenditures, and modifications to the interest expense limitation calculation, among others. The Company was not impacted by these provisions as it plans to opt out of bonus deprecation due to the Company's CY taxable loss position, its R&D expenses were nominal, and it is below the 3-year gross receipts threshold of $31M, and as such was not subject to the business interest expense limitation rules.

Income tax provision allocated to continuing operations and discontinued operations for the years ended February 28 or 29, 2026, 2025, and 2024 was as follows:

($'s in thousands)	2026	2025	2024
Continuing operations	$ 187	$ —	$ —
Discontinued operations	—	—	—
Total tax provision	$ 187	$ —	$ —

NOTE 14 – EMPLOYEE BENEFIT PLAN

The Company has a 401(k) plan called the Rocky Mountain Chocolate Factory, Inc. 401(k) Plan. Eligible participants are permitted to make contributions up to statutory limits. The Company makes a matching contribution, which vest ratably over a 3-year period, and is 25% of the employee’s contribution up to a maximum of 1.5% of the employee’s compensation. During the years ended February 28 or 29, 2026, 2025, and 2024 the Company’s contribution to the plan was approximately $0.1 million, $0.1 million, and $0.1 million, respectively.

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NOTE 15 – OPERATING SEGMENTS

The Company classifies its business interests into three reportable segments: Rocky Mountain Chocolate Factory, Inc. Franchising, Manufacturing, Retail Stores, and Unallocated, which is the basis upon which the Company's Chief Operating Decision Maker (CODM), the interim chief executive officer, evaluates the Company's performance. The CODM uses the segment information in the annual planning process and considers actual versus plan variances in evaluating the performance of the segments. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 to these consolidated financial statements. The Company evaluates performance and allocates resources based on the segment operating profit or loss, 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 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 differences in products and services:

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FY 2026 ($'s in thousands)	Franchising	Manufacturing	Retail	Unallocated	Total
Total revenues	$ 6,135	$ 20,026	$ 1,974	$ -	$ 28,135
Intersegment revenues	-	(638)	-	-	(638)
Revenue from external customers	6,135	19,388	1,974	-	27,497
Costs and Expenses					
Cost of Sales	-	20,048	595	-	20,643
Labor costs	2,081	-	488	1,810	4,379
Operating expenses	627	-	630	499	1,756
Professional fees	176	-	-	1,685	1,861
Other general & administrative expenses	520	-	-	1,441	1,961
	3,404	20,048	1,713	5,435	30,600
Depreciation and amortization, exclusive of depreciation and amortization expense of $921 included in cost of sales (manufacturing segment)	51	-	29	403	484
Total costs and expenses	3,455	20,048	1,742	5,838	31,084
Segment profit (loss)	2,680	(660)	232	(5,838)	(3,587)
Other income (expense)					
Interest expense	-	-	-	(840)	(840)
Interest income	-	-	-	54	54
Other income (expense), net	-	-	-	(786)	(786)
Loss before income taxes	2,680	(660)	232	(6,624)	(4,373)
Income tax provision	-	-	-	187	187
Earnings (loss) from continuing operations	2,680	(660)	232	(6,811)	(4,560)
Earnings (loss) from discontinued operations, net of tax	-	-	-	-	-
Net loss	2,680	(660)	232	(6,811)	(4,560)
Other Segment Disclosures					
Total assets	1,698	14,394	1,792	2,328	20,212
Capital expenditures	-	195	281	258	734

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FY 2025

($'s in thousands)	Franchising	Manufacturing	Retail	Unallocated	Total
Total revenues	$ 5,564	$ 23,572	$ 1,466	$ -	$ 30,602
Intersegment revenues	-	(1,023)	-	-	(1,023)
Revenue from external customers	5,564	22,549	1,466	-	29,579
Costs and Expenses					
Cost of Sales	-	23,463	453	-	23,916
Labor costs	2,483	-	433	2,250	5,166
Operating expenses	1,338	-	283	545	2,166
Professional fees	403	-	-	2,335	2,738
Other general & administrative expenses	185	-	-	1,175	1,360
	4,409	23,463	1,169	6,305	35,346
Depreciation and amortization, exclusive of depreciation and amortization expense of $775 included in cost of sales (manufacturing segment)	50	-	13	112	175
Total costs and expenses	4,459	23,463	1,182	6,417	35,521
Segment profit (loss)	1,105	(914)	284	(6,417)	(5,942)
Other income (expense)					
Interest expense	-	-	-	(454)	(454)
Interest income	-	-	-	27	27
Gain on sale of assets	-	-	-	247	247
Other income (expense), net	-	-	-	(180)	(180)
Loss before income taxes	1,105	(914)	284	(6,597)	(6,122)
Income tax provision	-	-	-	-	-
Earnings (loss) from continuing operations	1,105	(914)	284	(6,597)	(6,122)
Earnings (loss) from discontinued operations, net of tax	-	-	-	-	-
Net loss	1,105	(914)	284	(6,597)	(6,122)
Other Segment Disclosures					
Total assets	2,213	14,867	803	3,292	21,175
Capital expenditures	16	2,543	7	1,196	3,762

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FY 2024 ($'s in thousands)	Franchising	Manufacturing	Retail	Unallocated	Total
Total revenues	$ 5,928	$ 21,833	$ 1,319	$ -	$ 29,080
Intersegment revenues	-	(1,129)	-	-	(1,129)
Revenue from external customers	5,928	20,704	1,319	-	27,951
Costs and Expenses					
Cost of Sales	-	20,200	456	-	20,656
Labor costs	1,947	-	337	3,373	5,657
Operating expenses	1,732	-	335	599	2,666
Professional fees	714	-	-	1,675	2,389
Other general & administrative expenses	321	-	-	1,026	1,347
	4,714	20,200	1,128	6,673	32,715
Depreciation and amortization, exclusive of depreciation and amortization expense of $750 included in cost of sales (manufacturing segment)	32	6	8	92	138
Total costs and expenses	4,746	20,206	1,136	6,765	32,853
Segment profit (loss)	1,182	498	183	(6,765)	(4,902)
Other income (expense)					
Interest expense	-	-	-	(53)	(53)
Interest income	-	-	-	79	79
Other income (expense), net	-	-	-	26	26
Loss before income taxes	1,182	498	183	(6,739)	(4,876)
Income tax provision	-	-	-	-	-
Earnings (loss) from continuing operations	1,182	498	183	(6,739)	(4,876)
Earnings from discontinued operations, net of tax	-	-	-	704	704
Net loss	1,182	498	183	(6,035)	(4,172)
Other Segment Disclosures					
Total assets	1,255	11,989	510	6,823	20,577
Capital expenditures	135	2,297	42	543	3,017

NOTE 16 – DISCONTINUED OPERATIONS

On February 24, 2023 and May 1, 2023, the Company entered into agreements to sell: 1) all operating assets and inventory associated with the Company’s three U-Swirl Company-owned locations, and 2) all franchise rights and intangible assets associated with the franchise operations of U-Swirl, respectively. The May 1, 2023 sale was completed pursuant to an Asset Purchase Agreement (the “Asset Purchase Agreement”), dated May 1, 2023, by and among the Company, as guarantor, U Swirl as seller, LLC (“Purchaser”), a related company of Fosters Freeze, Inc., a California corporation. Pursuant to the Asset Purchase Agreement, on the closing date, Purchaser paid to U-Swirl $2.75 million, consisting of approximately (i) $1.75 million in cash and (ii) $1.0 million evidenced by a three-year secured promissory note in the aggregate original principal amount of $1.0 million. As a result of these asset sales, the activities of the Company's subsidiary, U-Swirl, which were previously recorded to the U-Swirl operating segment are reported as discontinued operations in the consolidated statement of operations, consolidated balance sheet and consolidated statement of cash flows for all periods presented. The majority of the assets and liabilities of U-Swirl met the accounting criteria to be classified as held for sale and were aggregated and reported on separate lines of the respective statements.

On October 31, 2023, the Company filed a certificate of dissolution with the Secretary of State of the State of Nevada with respect to U-Swirl. As a result, U-Swirl is effectively fully dissolved and no longer in legal existence.

The following table discloses the results of operations of the businesses reported as discontinued operations for the years ended February 28 or 29, 2026, 2025, and 2024, respectively (amounts in thousands):

	FOR THE YEARS ENDED FEBRUARY 28 or 29,		
($'s in thousands)	2026	2025	2024
Total Revenue	$ —	$ —	$ 212
Cost of sales	—	—	—
Operating Expenses	—	—	143
Gain on disposal of assets	—	—	(635)
Other expense, net	—	—	—
Earnings from discontinued operations before income taxes	—	—	704
Income tax provision	—	—	—
Earnings (loss) from discontinued operations, net of tax	$ —	$ —	$ 704

There were no assets or liabilities held for sale for U-Swirl as of February 28 or 29, 2026, 2025, and 2024, respectively:

The following table summarizes the gain recognized during the year ended February 29, 2024 related to the sale of assets on May 1, 2023, as described above (amounts in thousands):

Cash proceeds from the sale of assets	$ 1,749
Accounts receivable	9
Notes receivable	1,000
Total consideration received	2,758
Assets and liabilities transferred	
Franchise rights	1,703
Inventory	6
Liabilities	(229)
Net assets transferred	1,480
Costs associated with the sale of assets	643
Gain on disposal of assets	$ 635

NOTE 17 - SUBSEQUENT EVENTS

The Company was not in compliance with the liabilities to tangible net worth covenant of 2.0:1.0 as of the end of the Company's first fiscal quarter, for which a waiver though August 31, 2026 under the Company's debt agreements was received.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures and Changes in Internal Control Over Financial Reporting

Disclosure Controls and Procedures — The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), that are designed to ensure that material information relating to the Company is made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors. These disclosure controls and procedures are designed to ensure that information required to be disclosed in the Company's reports that are filed or submitted under the Exchange Act, are recorded, processed, summarized, and reported within the time periods specified in the SEC'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 or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management, under the supervision and with the participation of our Interim Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the Company's disclosure controls and procedures. Based on that evaluation, our Interim Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of February 28, 2026.

Management's Annual Report on Internal Control over Financial Reporting — Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act). The Company's internal control over financial reporting is a process designed under supervision of the Company's principal executive officer and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Company's consolidated financial statements for external purposes in accordance with GAAP. Management, with the participation of our Interim Chief Executive Officer, has evaluated the effectiveness, as of February 28, 2026, of the Company's internal control over financial reporting. In making this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its publication Internal Control-Integrated Framework (2013).

Based on that assessment, management concluded that our internal control over financial reporting was not effective as of February 28, 2026 due to the identification of the material weakness discussed below.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Based on this definition, management has concluded that the material weaknesses noted below existed in the Company's internal control over financial reporting.

The following material weakness was identified as of February 28, 2026:

Inventory: Management identified a material weakness in internal control over financial reporting related to inventory valuation within a perpetual inventory system maintained at standard cost, including the application of unit-of-measure inputs and overhead cost components. The material weakness arose during the implementation and stabilization of a new financial and operational system, during which certain control activities did not operate with sufficient precision, resulting in audit adjustments related to incorrect units of measure in inventory pricing and inconsistencies in overhead application. The root causes included the complexity of configuring standard cost accounting, the need to further refine system configurations and data alignment, and insufficient precision in review controls over inventory valuation and variance analysis. While controls were in place, they did not operate effectively during the stabilization period; however, this deficiency reflects a need to improve the effectiveness of the control framework rather than an absence of controls. Notwithstanding the identified material weakness, management believes the consolidated financial statements included in this Annual Report fairly present, in all material respects, the Company’s financial position, results of operations, and cash flows.

Under the applicable SEC rules, we are not required to include an attestation report of our independent registered public accounting firm, CohnReznick LLP, on the Company’s internal control over financial reporting.

Remediation Efforts to Address Material Weakness

Management is implementing a remediation plan to address the material weakness and strengthen controls over inventory valuation within its standard cost framework, including (i) completing a comprehensive review and refinement of standard cost build-ups and overhead absorption methodologies to better align with operational cost drivers, (ii) standardizing unit-of-measure definitions and implementing controls to ensure consistency across inventory master data, bills of materials, and valuation processes, (iii) enhancing inventory valuation controls through independent review, reconciliation procedures, and cross-checks of system-generated costs to expected results, and (iv) improving the precision of management review controls, including formalized variance analysis with defined thresholds and documented follow-up. In addition, the Company is integrating these controls into its ongoing monitoring activities, increasing training for relevant personnel, and reducing reliance on manual adjustments through greater use of system-based controls. Management is completing the design and implementation of these enhancements and will demonstrate sustained operating effectiveness, after which the material weakness will be considered remediated.

ITEM 9B. OTHER INFORMATION

During the three months ended February 28, 2026, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K under the Securities Act).

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated herein by reference from our Proxy Statement for our 2026 Annual Meeting of Stockholders, to be filed no later than 120 days after February 28, 2026.

The Company has adopted a comprehensive insider trading policy governing the purchase, sale and other dispositions of its securities by directors, officers, employees, and other designated individuals, which is designed to promote compliance with all applicable insider trading laws, rules, and regulations. A copy of this policy is filed as Exhibit 19.1 to this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference from our Proxy Statement for our 2026 Annual Meeting of Stockholders, to be filed no later than 120 days after February 28, 2026.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Except for the information below, the information required by this item is incorporated herein by reference from our Proxy Statement for our 2026 Annual Meeting of Stockholders, to be filed no later than 120 days after February 28, 2026.

Equity Compensation Plan Information

The following table provides information with respect to the Company's equity compensation plan, as of February 28, 2026, which consists solely of the Company's 2024 Equity Incentive Plan:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options, warrants and rights (1)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (2)
Equity compensation plans approved by the Company's stockholders	194,189	$ -	565,494
Equity compensation plans not approved by the Company's stockholders	-0-	-0-	-0-
Total	194,189	$ -	565,494

(1) Awards outstanding under the 2024 Equity Incentive Plan as of February 28, 2026 consist of 194,189 unvested restricted stock units and no outstanding stock options.

(2) Represents shares remaining available under the Company's 2024 Equity Incentive Plan. Shares available for future issuances under the 2024 Equity Incentive Plan may be issued in the form of stock options, stock appreciation rights, restricted stock and stock units, performance shares and performance units, and other stock and cash based awards.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference from our Proxy Statement for our 2026 Annual Meeting of Stockholders, to be filed no later than 120 days after February 28, 2026.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference from our Proxy Statement for our 2026 Annual Meeting of Stockholders, to be filed no later than 120 days after February 28, 2026.

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report:

1. Financial Statements

2. Financial Statement Schedule

Schedule II

Valuation and Qualifying Accounts (amounts in thousands):

	Balance at Beginning of Year	Additions Charged to Costs & Exp.	Deductions	Balance at End of Year
Year Ended February 28, 2026				
Valuation Allowance for Accounts and Notes Receivable	$ 335	(145)	34	$ 156
Year Ended February 28, 2025				
Valuation Allowance for Accounts and Notes Receivable	$ 362	53	80	$ 335
Year Ended February 29, 2024				
Valuation Allowance for Accounts and Notes Receivable	$ 764	113	515	$ 362

All other schedules have been omitted because they are not required, not applicable, or the required information is included in the consolidated financial statements or notes thereto.

3. Exhibits

The exhibits listed on the Exhibit Index are incorporated by reference or filed as part of this Form 10-K, in each case as indicated herein (numbered in accordance with Item 601 of Regulation S-K).

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference or Filed/Furnished Herewith
2.1*	Asset Purchase Agreement, dated May 1, 2023, by and among U-Swirl International, Inc., a Nevada corporation, U Swirl, LLC, a Delaware limited liability company, and Rocky Mountain Chocolate Factory, Inc., a Delaware corporation	Exhibit 2.1 to the Current Report on Form 8-K filed on May 4, 2023 (File No. 001-36865)
3.1	Amended and Restated Certificate of Incorporation of Rocky Mountain Chocolate Factory, Inc., a Delaware corporation	Exhibit 3.1 to the Current Report on Form 8-K12G3 filed on March 2, 2015 (File No. 333-200063)
3.2	Third Amended and Restated Bylaws of Rocky Mountain Chocolate Factory, Inc.	Exhibit 3.1 to the Current Report on Form 8-K filed on September 12, 2023 (File No. 001-36865)
4.1**	Description of Securities	Exhibit 4.1 to the Annual Report on Form 10-K for the fiscal year ended February 28, 2025 (File No. 001-36865)
10.1**	Form of Employment Agreement (Officers)	Exhibit 10.1 to the Annual Report on Form 10-K for the fiscal year ended February 28, 2007 (File No. 000-14749)
10.2	Form of Franchise Agreement for Rocky Mountain Chocolate Factory	Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended May 31, 2010 (File No. 000-14749)
10.3**	Rocky Mountain Chocolate Factory, Inc. 2007 Equity Incentive Plan (as Amended and Restated)	Exhibit 10.1 to the Current Report on Form 8-K filed on September 18, 2020 (File No. 001-36865)
10.4**	Rocky Mountain Chocolate Factory, Inc. 2024 Omnibus Incentive Compensation Plan	Exhibit 10.4 to the Annual Report on Form 10-K for the fiscal year ended February 28, 2025 (File No. 001-36865)
10.5**	Form of Indemnification Agreement (Directors)	Exhibit 10.7 to the Annual Report on Form 10-K for the fiscal year ended February 28, 2007 (File No. 000-14749)
10.6**	Form of Indemnification Agreement (Officers)	Exhibit 10.8 to the Annual Report on Form 10-K for the fiscal year ended February 28, 2007 (File No. 000-14749)
10.7*	Master License Agreement, dated August 17, 2009, between Kahala Franchise Corp. and Rocky Mountain Chocolate Factory, Inc., a Colorado corporation	Exhibit 10.3 to the Quarterly Report on Form 10-Q of the Registrant for the quarter ended August 31, 2009 (File No. 000-14749)

10.8	Credit Agreement, dated October 13, 2021, between Wells Fargo Bank, National Association and Rocky Mountain Chocolate Factory, Inc.	Exhibit 10.3 to the Current Report on Form 8-K filed on October 6, 2022 (File No. 001-36865)
10.9	First Amendment to Credit Agreement, dated September 26, 2022, between Wells Fargo Bank, National Association and Rocky Mountain Chocolate Factory, Inc.	Exhibit 10.1 to the Current Report on Form 8-K filed on October 6, 2022 (File No. 001-36865)
10.10	Second Amendment to Credit Agreement, dated September 20, 2023 by and between Wells Fargo Bank, National Association and Rocky Mountain Chocolate Factory, Inc.	Exhibit 10.1 to the Current Report on Form 8-K filed on October 3, 2023 (File No. 001-36865)
10.11	Revolving Line of Credit Note, dated September 28, 2023, between Wells Fargo Bank, National Association and Rocky Mountain Chocolate Factory, Inc.	Exhibit 10.2 to the Current Report on Form 8-K filed on October 3, 2023 (File No. 001-36865)
10.12†	Settlement and Release Agreement, dated December 14, 2022, between Bradley L. Radoff, Andrew T. Berger, AB Value Management LLC, Mary Bradley and Rocky Mountain Chocolate Factory, Inc.	Exhibit 10.1 to the Current Report on Form 8-K filed on December 16, 2022 (File No. 001-36865)
10.13	Secured Promissory Note, dated May 1, 2023, by and between U Swirl, LLC, a Delaware limited liability company, and U-Swirl International, Inc., a Nevada corporation	Exhibit 10.1 to the Current Report on Form 8-K filed on May 4, 2023 (File No. 001-36865)
10.14	Security Agreement, dated May 1, 2023, by and among U-Swirl International, Inc., a Nevada corporation, Bob Partners X, LLC, a Delaware limited liability company, U Swirl, LLC, a Delaware limited liability company, U Swirl Franchising LLC, a Delaware limited liability company, and U Swirl Gift Card LLC	Exhibit 10.2 to the Current Report on Form 8-K filed on May 4, 2023 (File No. 001-36865)
10.15	Pledge Agreement, dated May 1, 2023, by and among, U Swirl, LLC, a Delaware limited liability company, U-Swirl International, Inc., a Nevada corporation, Bob Partners X, LLC, a Delaware limited liability company, and certain persons named therein	Exhibit 10.3 to the Current Report on Form 8-K filed on May 4, 2023 (File No. 001-36865)
10.16	Covenant Breach Waiver, dated January 22, 2024, issued by Wells Fargo Bank, N.A.	Exhibit 10.20 to the Annual Report on Form 10-K for the fiscal year ended February 28, 2025 (File No. 001-36865)
10.17	Covenant Breach Waiver, dated May 15, 2025, issued by RMC Credit Facility, LLC	Filed herewith.
10.18	Offer Letter, dated May 29, 2024, by and between Rocky Mountain Chocolate Factory, Inc. and Jeffrey R. Geygan	Exhibit 10.1 to the Current Report on Form 8-K filed on June 5, 2024 (File No. 001-36865)
10.19**	Offer Letter, executed July 18, 2024, by and between Rocky Mountain Chocolate Factory, Inc. and Carrie E. Cass	Exhibit 10.1 to the Current Report on Form 8-K filed on July 24, 2024 (File No. 001-36865)
10.20*	Promissory Note and Security Assignment and Assumption Agreement, dated as of July 26, 2024, by and between the Company and Isaac Lee Collins, LLC	Exhibit 10.1 to the Current Report on Form 8-K filed on July 31, 2024 (File No. 001-36865)

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10.21	Securities Purchase Agreement, dated as of August 5, 2024, by and among Rocky Mountain Chocolate Factory, Inc. and certain purchasers thereto	Exhibit 10.1 to the Current Report on Form 8-K filed on August 7, 2024 (File No. 001-36865)
10.22	Registration Rights Agreement dated as of August 5, 2024, by and among Rocky Mountain Chocolate Factory, Inc. and certain purchasers thereto	Exhibit 10.2 to the Current Report on Form 8-K filed on August 7, 2024 (File No. 001-36865)
10.23	Credit Agreement, dated September 30, 2024, by and between Rocky Mountain Chocolate Factory, Inc., a Colorado corporation, and RMC Credit Facility, LLC, a Colorado limited liability company	Exhibit 10.1 to the Current Report on Form 8-K filed on October 4, 2024.
10.24	Promissory Note, dated September 30, 2024, made by Rocky Mountain Chocolate Factory, Inc., a Colorado corporation, to RMC Credit Facility, LLC, a Colorado limited liability company	Exhibit 10.2 to the Current Report on Form 8-K filed on October 4, 2024.
10.25	Deed of Trust, dated September 30, 2024, by and among Rocky Mountain Chocolate Factory, Inc., a Colorado corporation, RMC Credit Facility, LLC, a Colorado limited liability company, and the Public Trustee of La Plata County, Colorado	Exhibit 10.3 to the Current Report on Form 8-K filed on October 4, 2024.
10.26	Agreement dated as of November 26, 2024, by and between Rocky Mountain Chocolate Factory, Inc. and Global Value Investment Corporation and its affiliates	Exhibit 10.1 to the Current Report on Form 8-K filed on November 27, 2024.
10.27	Credit Agreement, dated August 28, 2025, by and between Rocky Mountain Chocolate Factory, Inc., a Colorado corporation, and RMCF2 Credit, LLC, a Wisconsin limited liability company	Exhibit 10.1 to the Current Report on Form 8-K filed on September 3, 2025 (File No. 001-36865)
10.28	Promissory Note, dated August 28, 2025, made by Rocky Mountain Chocolate Factory, Inc., a Colorado corporation, to RMCF2 Credit, LLC, a Wisconsin limited liability company	Exhibit 10.2 to the Current Report on Form 8-K filed on September 3, 2025 (File No. 001-36865)
10.29	Deed of Trust, dated August 28, 2025, by and among Rocky Mountain Chocolate Factory, Inc., a Colorado corporation, RMCF2 Credit, LLC, a Wisconsin limited liability company, and the Public Trustee of La Plata County, Colorado	Exhibit 10.3 to the Current Report on Form 8-K filed on September 3, 2025 (File No. 001-36865)
10.30	First Amendment to Credit Agreement and Promissory Note, dated August 28, 2025, by and between Rocky Mountain Chocolate Factory, Inc., a Colorado corporation, and RMC Credit Facility, LLC, a Colorado limited liability company	Exhibit 10.4 to the Current Report on Form 8-K filed on September 3, 2025 (File No. 001-36865)
10.31	Securities Purchase Agreement, dated as of December 18, 2025, by and between Rocky Mountain Chocolate Factory, Inc. and ARM-D Rocky Mountain Chocolate Holdings LLC	Exhibit 10.1 to the Current Report on Form 8-K filed on December 19, 2025 (File No. 001-36865)
10.32	Investor Rights Agreement, dated as of December 18, 2025, by and between Rocky Mountain Chocolate	Exhibit 10.2 to the Current Report on Form 8-K filed on December 19, 2025 (File No. 001-36865)

	Factory, Inc. and ARM-D Rocky Mountain Chocolate Holdings LLC	
10.33	Amendment to the Letter Agreement, by and between Rocky Mountain Chocolate Factory, Inc. and Global Value Investment Corporation and its affiliates	Exhibit 10.3 to the Current Report on Form 8-K filed on December 19, 2025 (File No. 001-36865)
19.1	Rocky Mountain Chocolate Factory, Inc. Insider Trading Policy	Exhibit 19.1 to the Annual Report on Form 10-K for the fiscal year ended February 28, 2025 (File No. 001-36865)
21.1	Subsidiaries of the Registrant	Exhibit 21.1 to the Annual Report on Form 10-K for the fiscal year ended February 29, 2024 (File No. 000-36865)
23.1	Consent of CohnReznick LLP Independent Registered Public Accounting Firm	Filed herewith
24.1	Power of Attorney	Included in signature pages hereto
31.1	Certification Pursuant To Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification Pursuant To Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.2	Certification Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
97.1	Rocky Mountain Chocolate Factory, Inc. Clawback Policy	Exhibit 97.1 to the Annual Report on Form 10-K for the fiscal year ended February 28, 2025 (File No. 001-36865)
101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) (1)	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents	Filed herewith
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)	Filed herewith

* Contains material that has been omitted pursuant to a request for confidential treatment and such material has been filed separately with the SEC.

** Management contract or compensatory plan required to be filed as an exhibit pursuant to Item 15(c) of Form 10-K.

(1) These interactive data files shall not be deemed filed for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under those sections.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 29, 2026	/s/ Carrie E. Cass CARRIE E. CASS Principal Financial Officer and Principal Accounting Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jeffrey R. Geygan and Carrie E. Cass and each of them, as his or her true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him or her and in his or her name, place or stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: May 29, 2026	/s/ Jeffrey R. Geygan JEFFREY R. GEYGAN Interim Chief Executive Officer (Principal Executive Officer)
Date: May 29, 2026	/s/ Carrie E. Cass CARRIE E. CASS Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Date: May 29, 2026	/s/ Melvin Keating MELVIN KEATING Chair of Board
Date: May 29, 2026	/s/ Steven L. Craig STEVEN L. CRAIG Director
Date: May 29, 2026	/s/ Alberto Perez Jacome Friscione ALBERTO PEREZ JACOME FRISCIONE Director
Date: May 29, 2026	/s/ Brian Quinn BRIAN QUINN Director