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

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended July 1, 2017

Transition report pursuant to Section 13 or 15(d) of the Exchange Act for the transition period from [] to []

Commission file number: 1-9009

Tofutti Brands Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State of Incorporation)

13-3094658
(I.R.S. Employer
Identification No.)

50 Jackson Drive, Cranford, New Jersey 07016
(Address of Principal Executive Offices)

(908) 272-2400
(Registrant's Telephone Number, including area code)

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

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 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 14, 2017 the Registrant had 5,153,706 shares of Common Stock, par value \$0.01, outstanding.

TOFUTTI BRANDS INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

**TOFUTTI BRANDS INC.
Condensed Balance Sheets
(in thousands, except share and per share figures)**

	<u>July 1, 2017</u>	<u>December 31, 2016*</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 329	\$ 132
Accounts receivable, net of allowance for doubtful accounts and sales promotions of \$356 and \$370, respectively	2,080	2,626
Inventories	1,508	1,565
Prepaid expenses	36	66
Deferred costs	136	100
Total current assets	<u>4,089</u>	<u>4,489</u>
Fixed assets (net of accumulated depreciation of \$17 and \$14, respectively)	12	15
Other assets	16	16
	<u>\$ 4,117</u>	<u>\$ 4,520</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable-current	\$ 7	\$ 6
Accounts payable	507	1,148
Accrued expenses	309	278
Deferred revenue	152	108
Total current liabilities	<u>975</u>	<u>1,540</u>
Convertible note payable-long term-related party	500	500
Note payable-long term	6	10
Total liabilities	<u>1,481</u>	<u>2,050</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - par value \$.01 per share; authorized 100,000 shares, none issued	-	-
Common stock - par value \$.01 per share; authorized 15,000,000 shares, issued and outstanding 5,153,706 shares at July 1, 2017 and December 31, 2016, respectively	52	52
Additional paid-in capital	207	138
Retained earnings	2,377	2,280
Total stockholders' equity	<u>2,636</u>	<u>2,470</u>
Total liabilities and stockholders' equity	<u>\$ 4,117</u>	<u>\$ 4,520</u>

*Derived from audited financial information.

See accompanying notes to condensed financial statements.

TOFUTTI BRANDS, INC.
Condensed Statements of Operations
(Unaudited)
(in thousands, except per share figures)

	Thirteen weeks ended July 1, 2017	Thirteen weeks ended July 2, 2016	Twenty-six weeks ended July 1, 2017	Twenty-six weeks ended July 2, 2016
Net sales	\$ 3,646	\$ 3,554	\$ 6,929	\$ 7,296
Cost of sales	2,473	2,370	4,742	4,873
Gross profit	<u>1,173</u>	<u>1,184</u>	<u>2,187</u>	<u>2,423</u>
Operating expenses:				
Selling and warehouse	357	349	797	733
Marketing	62	43	158	131
Research and development	90	116	201	249
General and administrative	388	474	917	967
	<u>897</u>	<u>982</u>	<u>2,073</u>	<u>2,080</u>
Income from operations	276	202	114	343
Interest expense	6	6	12	13
Income before income tax	270	196	102	330
Income tax expense	—	2	5	6
Net income	<u>\$ 270</u>	<u>\$ 194</u>	<u>\$ 97</u>	<u>\$ 324</u>
Weighted average common shares outstanding:				
Basic and diluted	<u>5,154</u>	<u>5,154</u>	<u>5,154</u>	<u>5,154</u>
Net income per common share:				
Basic and diluted	<u>\$ 0.05</u>	<u>\$ 0.04</u>	<u>\$ 0.02</u>	<u>\$ 0.06</u>

See accompanying notes to condensed financial statements.

TOFUTTI BRANDS INC.
Condensed Statements of Cash Flows
(Unaudited)
(in thousands)

	<u>Twenty-six Weeks Ended July 1, 2017</u>	<u>Twenty-six Weeks Ended July 2, 2016</u>
Cash provided by (used in) operating activities, net	\$ 200	\$ (368)
Cash (used in) provided by financing activities, net	<u>(3)</u>	<u>498</u>
Net increase in cash and cash equivalents	197	130
Cash and cash equivalents at beginning of period	132	55
Cash and cash equivalents at end of period	<u>\$ 329</u>	<u>\$ 185</u>
Supplemental cash flow information:		
Income taxes paid	<u>\$ 5</u>	<u>\$ 6</u>
Interest paid	<u>\$ 12</u>	<u>\$ 6</u>

See accompanying notes to condensed financial statements.

TOFUTTI BRANDS INC.
Notes to Condensed Financial Statements
(In thousands, except for share and per share data)

Note 1: Liquidity and Capital Resources

At July 1, 2017, Tofutti Brands, Inc. (“Tofutti” or the “Company”) had approximately \$329 in cash compared to \$132 at December 31, 2016. Net cash provided by operating activities for the twenty-six weeks ended July 1, 2017 was \$200 compared to \$368 used in operating activities for the twenty-six weeks ended July 2, 2016. Net cash used in financing activities for the twenty-six weeks ended July 1, 2017 was \$3 compared to \$498 provided by financing activities for the twenty-six weeks ended July 2, 2016. Net cash provided by financing activities for the twenty-six weeks ended July 2, 2016 was primarily a result of the loan provided by the Company’s Chairman and Chief Executive Officer.

The Company has historically financed operations and met capital requirements primarily through positive cash flow from operations. However, due to the net loss and cash used in operations for the year ended January 2, 2016 in order to provide the Company with additional working capital, on January 6, 2016, David Mintz, the Company’s Chairman and Chief Executive Officer, provided it with a loan of \$500. Commencing March 31, 2016, interest of 5% is payable on a quarterly basis without compounding. The loan may be prepaid in whole or in part at any time without premium or penalty. The loan is convertible into the Company’s common stock at a conversion price of \$4.01 per share, the closing price of its common stock on the date the promissory note was entered into. Initially due December 31, 2017, the loan has been extended until December 31, 2018.

The Company’s ability to introduce successful new products may be adversely affected by a number of factors, such as unforeseen cost and expenses, economic environment, increased competition, and other factors beyond the Company’s control. Management cannot provide assurance that the Company will operate profitably in the future, or that it will not require significant additional financing in order to accomplish or exceed the objectives of its business plan. Consequently, the Company’s historical operating results cannot be relied on to be an indicator of future performance, and management cannot predict whether the Company will obtain or sustain positive operating cash flow or generate net income in the future.

On August 11, 2017, the Company terminated its engagement with a financial advisor that was assisting it in pursuing strategic alternatives.

Note 2: Description of Business

Tofutti is engaged in one business segment, the development, production and marketing of non-dairy frozen desserts and other food products.

The Company reports on operating segments in accordance with standards for public companies to report information about operating segments and geographic distribution of sales in financial statements. While the Company has multiple products and or product groups, its goal is to focus on non-dairy foods. The Company’s chief operating decision maker tracks revenue by product groups, but does not track more granular operating results by product group as many of the ingredients are similar amongst these groups. As a result, the Company has determined that it has only one operating segment, which is the development, production and marketing of soy-based, non-dairy frozen desserts, frozen food products and soy-based cheese products.

TOFUTTI BRANDS INC.
Notes to Condensed Financial Statements
(In thousands, except for share and per share data)

Note 3: Basis of Presentation

The accompanying financial information is unaudited, but, in the opinion of management, reflects all adjustments (which include only normally recurring adjustments) necessary to present fairly the Company's financial position, operating results and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed balance sheet amounts as of December 31, 2016 are derived from our audited financial statements for the year ended December 31, 2016. The financial information should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2016 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. The results of operations for the thirteen and twenty-six week periods ended July 1, 2017 are not necessarily indicative of the results to be expected for the full year or any other period.

The Company's fiscal year is either a fifty-two or fifty-three week period which ends on the Saturday closest to December 31st.

Note 4: Recent Accounting Pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements during the twenty-six weeks ended July 1, 2017 that are of material significance, or have potential material significance, to the Company.

Note 5: Inventories

The composition of inventories is as follows:

	July 1, 2017	December 31, 2016
Finished products	\$ 976	\$ 1,047
Raw materials and packaging	532	518
	<u>\$ 1,508</u>	<u>\$ 1,565</u>

Note 6: Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. As of the periods ended July 1, 2017 and December 31, 2016, the Company recorded a full valuation allowance on its deferred tax asset balances.

TOFUTTI BRANDS INC.
Notes to Condensed Financial Statements
(In thousands, except for share and per share data)

Note 7: Earnings Per Share

Basic earnings per common share has been computed by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted earnings per common share for the periods ended July 1, 2017 and July 2, 2016 have been computed by dividing net income (loss) by the weighted average number of common shares outstanding and common stock equivalents, which include options outstanding during the same period. Not included in the calculation for July 1, 2017 and July 2, 2016 were 80,000 non-qualified options granted to directors that were antidilutive because the market price of the common stock as of July 1, 2017 and July 2, 2016 was less than the exercise prices of any of these options.

The following table sets forth the computation of basic and diluted earnings per share:

	Thirteen Weeks Ended July 1, 2017	Thirteen Weeks Ended July 2, 2016	Twenty-six Weeks Ended July 1, 2017	Twenty-six Weeks Ended July 2, 2016
Numerator				
Net income-basic and diluted	\$ 270	\$ 194	\$ 97	\$ 324
Denominator				
Basic earnings per share weighted average shares	5,153,706	5,153,706	5,153,706	5,153,706
Diluted earnings per share weighted average shares	5,153,706	5,153,706	5,153,706	5,153,706
Income per common share				
Basic and diluted	\$ 0.05	\$ 0.04	\$ 0.02	\$ 0.06

Note 8: Fixed Assets

Fixed assets consist of the following:

	July 1, 2017	December 31, 2016
Automobile	\$ 29	\$ 29
Less: accumulated depreciation	(17)	(14)
Fixed assets, net	\$ 12	\$ 15

Depreciation expense for the thirteen and twenty-six weeks ended July 1, 2017 was \$1 and \$3, respectively. Depreciation expense for the thirteen and twenty-six weeks ended July 2, 2016 was \$1 and \$3, respectively.

TOFUTTI BRANDS INC.
Notes to Condensed Financial Statements
(In thousands, except for share and per share data)

Note 9: Stock Based Compensation

On June 10, 2014, the shareholders of the Company approved the 2014 Equity Incentive Plan (the “2014 Plan”). The 2014 Plan provides for grants of various types of awards that are designed to attract and retain highly qualified personnel who will contribute to the success of the Company and to provide incentives to participants in the 2014 Plan that are linked directly to increases in shareholder value which will therefore inure to the benefit of all shareholders of the Company. The Company intends to rely on a combination of multi-year performance awards, options and other stock-based awards for these purposes.

The 2014 Plan made 250,000 shares of common stock available for awards. The 2014 Plan also permits performance-based 2014 awards paid under it to be tax deductible under Section 162(m) of the Internal Revenue Code of 1986, as amended, as “performance-based compensation.” As of July 1, 2017, the Company issued 80,000 non-qualified stock option awards under the 2014 Plan.

The following is a summary of stock option activity from December 31, 2016 to July 1, 2017:

	Non-Qualified Options	
	Shares	Weighted Average Exercise Price (\$)
Outstanding at December 31, 2016	80,000	4.42
Exercised as of July 1, 2017	—	—
Outstanding at July 1, 2017	80,000	4.42
Exercisable at July 1, 2017	80,000	4.42

The following table summarizes information about stock options outstanding at July 1, 2017:

Range of Exercise Prices (\$)	Number Outstanding	Weighted Average Remaining Life (in years)	Weighted Average Exercise Price(\$)	Number Exercisable
4.39-4.46	80,000	2.81	4.42	80,000

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing formula. Expected volatilities and risk-free interest rates are based upon the expected life of the grant. The interest rates used are the U.S. Treasury yield curve in effect at the time of the grant.

There were no options granted during the thirteen and twenty-six weeks ended July 1, 2017.

As of July 1, 2017, the intrinsic value of the options outstanding and exercisable was immaterial. For the thirteen and twenty-six weeks ended July 1, 2017, stock compensation expense was \$0 and \$69, respectively, compared with \$0 and \$25 for the thirteen and twenty-six week periods ended July 2, 2016, respectively.

TOFUTTI BRANDS INC.
Notes to Condensed Financial Statements
(In thousands, except for share and per share data)

Note 10: Notes Payable

In September 2014, the Company obtained an auto loan of approximately \$29 from a bank. The loan requires 60 monthly payments of \$0.535 through August 2019. Interest is charged at a fixed nominal rate of 4.64%. The loan is collateralized by the underlying automobile.

	<u>July 1, 2017</u>	<u>December 31, 2016</u>
Note payable	\$ 13	\$ 16
Less current maturity	7	6
Note payable, net of current maturity	<u>\$ 6</u>	<u>\$ 10</u>

Convertible Note Payable - Related Party

On January 6, 2016, David Mintz, the Company's Chairman and Chief Executive Officer, provided it with a loan of \$500. The loan, which was originally set to expire on December 31, 2017 has been extended to December 31, 2018. No other terms of the loan were modified. Commencing March 31, 2016, interest of 5% is payable on a quarterly basis without compounding. The loan may be prepaid in whole or in part at any time without premium or penalty. The loan is convertible into the Company's common stock at a conversion price of \$4.01 per share, the closing price of the Company's common stock on the date the promissory note was entered into. In any event of default, as defined in the promissory note, without any action on the part of Mr. Mintz, the interest rate will increase to 12% per annum and the entire principal and interest balance under the loan, and all of the Company's other obligations under the loan, will be immediately due and payable, and Mr. Mintz will be entitled to seek and institute any and all remedies available to him.

	<u>July 1, 2017</u>	<u>December 31, 2016</u>
Note payable-related party	\$ 500	\$ 500
Less current maturity	—	—
Note payable related party, net of current maturity	<u>\$ 500</u>	<u>\$ 500</u>

Note 11: Sales by Geographic Region and Product Category

Revenues by geographical region are as follows (in thousands):

	<u>Thirteen Weeks ended July 1, 2017</u>	<u>Thirteen Weeks ended July 2, 2016</u>	<u>Twenty-Six Weeks ended July 1, 2017</u>	<u>Twenty-Six Weeks ended July 2, 2016</u>
Revenues by geography:				
Americas	\$ 3,243	\$ 3,227	\$ 6,281	\$ 6,558
Europe	175	195	244	312
Asia Pacific and Africa	104	47	169	202
Middle East	124	85	235	224
	<u>\$ 3,646</u>	<u>\$ 3,554</u>	<u>\$ 6,929</u>	<u>\$ 7,296</u>

Approximately 94% of the Americas revenue in 2017 and 93% of the Americas revenue in 2016 is attributable to sales in the United States in both the thirteen and twenty-six week periods. All of the Company's assets are located in the United States.

Beginning in the first quarter of 2017, the Company elected to combine the frozen desserts and frozen foods categories into one category as frozen food revenues are not material.

Net sales by major product category (in thousands):

	<u>Thirteen Weeks ended July 1, 2017</u>	<u>Thirteen Weeks ended July 2, 2016</u>	<u>Twenty-Six Weeks ended July 1, 2017</u>	<u>Twenty-Six Weeks ended July 2, 2016</u>
Frozen Desserts and Foods	\$ 883	\$ 1,137	\$ 1,538	\$ 2,156
Cheeses	2,763	2,417	5,391	5,140
	<u>\$ 3,646</u>	<u>\$ 3,554</u>	<u>\$ 6,929</u>	<u>\$ 7,296</u>

TOFUTTI BRANDS INC.

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

The following is management's discussion and analysis of certain significant factors which have affected our financial position and operating results during the periods included in the accompanying financial statements.

The discussion and analysis which follows in this Quarterly Report and in other reports and documents and in oral statements made on our behalf by our management and others may contain trend analysis and other forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 which reflect our current views with respect to future events and financial results. These include statements regarding our earnings, projected growth and forecasts, and similar matters which are not historical facts. We remind stockholders that forward-looking statements are merely predictions and therefore are inherently subject to uncertainties and other factors which could cause the actual future events or results to differ materially from those described in the forward-looking statements. These uncertainties and other factors include, among other things, business conditions in the food industry and general economic conditions, both domestic and international; lower than expected customer orders; competitive factors; changes in product mix or distribution channels; and resource constraints encountered in developing new products. The forward-looking statements contained in this Quarterly Report and made elsewhere by or on our behalf should be considered in light of these factors.

Critical Accounting Policies

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. The policies discussed below are considered by management to be critical to an understanding of our financial statements because their application places the most significant demands on management's judgment, with financial reporting results relying on estimation about the effect of matters that are inherently uncertain. Specific risks for these critical accounting policies are described in the following paragraphs. For all of these policies, management cautions that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment.

Revenue Recognition. We recognize revenue when goods are shipped from our production facilities or outside warehouses and the following four criteria have been met: (i) the product has been shipped and we have no significant remaining obligations; (ii) persuasive evidence of an arrangement exists; (iii) the price to the buyer is fixed or determinable; and (iv) collection is probable. We record as deductions against sales all trade discounts, returns and allowances that occur in the ordinary course of business, when the sale occurs. To the extent we charge our customers for freight expense, it is included in revenues. The amount of freight costs charged to customers has not been material to date.

Accounts Receivable. The majority of our accounts receivables are due from distributors (domestic and international) and retailers. Credit is extended based on evaluation of a customers' financial condition and, generally, collateral is not required. Accounts receivable are most often due within 30 to 90 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. We determine whether an allowance is necessary by considering a number of factors, including the length of time trade accounts receivable are past due, our previous loss history, the customer's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. We write off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the bad debt expense account. We do not accrue interest on accounts receivable past due.

Deferred Revenue and Costs. Deferred revenue represents amounts from sales of our products that have been billed and shipped, but for which the transactions have not met our revenue recognition criteria. The cost of the related products have been recorded as deferred costs on our balance sheet.

Inventory. Inventory is stated at lower of cost or market determined by first in first out (FIFO) method. Inventories in excess of future demand are written down and charged to the provision for inventories. At the point of which loss is recognized, a new, lower cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in the restoration or increase in the newly established cost basis.

Fixed Assets. Fixed assets consist of a company automobile used for advertising and trade show purposes. Amortization is provided by charges to income using the straight-line method over the useful life of five years.

Income Taxes. The carrying value of deferred tax assets assumes that we will be able to generate sufficient future taxable income to realize the deferred tax assets based on estimates and assumptions. If these estimates and assumptions change in the future, we may be required to record a valuation allowance against deferred tax assets which could result in additional income tax expense. We will recognize a tax benefit in the financial statements for an uncertain tax position only if management's assessment is that the position is "more likely than not" (i.e., a likelihood greater than 50 percent) to be allowed by the tax jurisdiction based solely on the technical merits of the position. The term "tax position" refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for financial reporting purposes. Our federal and state tax returns are open to examination for the years 2014 through 2016.

Stock Based Compensation. The Company follows the provisions of ASC 718 *Share-Based Payment*. The Company uses the Black-Scholes option pricing model to measure the estimated fair value of the options under ASC 718. Stock-based compensation expense is recognized over the requisite service period.

Recent accounting pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements during the thirteen and twenty-six weeks ended July 1, 2017 that are of material significance, or have potential material significance, to our company.

Results of Operations

Thirteen Weeks Ended July 1, 2017 Compared with Thirteen Weeks Ended July 2, 2016

Net sales for the thirteen weeks ended July 1, 2017 were \$3,646,000, an increase of \$92,000, or 3%, from net sales of \$3,554,000 for the thirteen weeks ended July 2, 2016. Beginning in the first quarter of 2017, we elected to combine the frozen desserts and frozen foods categories into one category, as frozen food revenues are not material. Sales of our frozen dessert and frozen food products decreased to \$883,000 in the thirteen weeks ended July 1, 2017 from \$1,137,000 for the thirteen weeks ended July 2, 2016. Sales of vegan cheese products increased to \$2,763,000 in the 2017 period from \$2,417,000 in the 2016 period. Sales of our frozen dessert products were negatively impacted by production and shipping issues at our frozen desserts novelty plant due to a major physical restructuring program in process at this facility. We anticipate the problems will continue throughout the balance of this year. We are currently in the process of securing additional facilities to make our frozen novelty products. Sales of our vegan cheese product line increased due to an increase in our domestic vegan cheese business.

Our gross profit decreased to \$1,173,000 in the thirteen weeks ended July 1, 2017 from \$1,184,000 in the thirteen weeks ended July 2, 2016. Our gross profit percentage was 32% for the thirteen weeks ending July 1, 2017 compared to 33% for the thirteen weeks ending July 2, 2016. Our gross profit percentage in the second quarter of 2017 was negatively impacted by an increase in sales promotion expense for the thirteen weeks ended July 1, 2017 to \$433,000 compared to \$391,000 for the thirteen weeks ended July 2, 2016, which was offset by improved profit margins in our vegan cheese business. Freight out expense, a significant part of our cost of sales, increased by \$12,000, or 6%, to \$223,000 for the thirteen weeks ended July 1, 2017 from \$211,000 for the thirteen weeks ended July 2, 2016, due to the increase in sales. As a percentage of sales, freight out expense was 6% in both the 2017 and 2016 thirteen week periods.

Selling expenses increased slightly to \$357,000, or 2%, for the thirteen weeks ended July 1, 2017 from \$349,000 for the thirteen weeks ended July 2, 2016. This increase was principally due to an increase in commission expense of \$21,000 which was offset by a decrease in outside warehouse rental expense of \$9,000 and travel and entertainment expense of \$7,000. We anticipate that our selling expenses will remain at the same level for the balance of 2017.

Marketing expenses increased by \$19,000, or 44%, to \$62,000 for the thirteen weeks ended July 1, 2017 from \$43,000 for the thirteen weeks ended July 2, 2016, due principally to increases in advertising expense of \$13,000 and promotions expense of \$10,000, which were partially offset by a reduction in artwork and plate expense of \$5,000. We anticipate that marketing expenses will remain at the same level for the remainder of fiscal 2017.

Research and development costs, which consist principally of salary expenses and laboratory costs, decreased by \$26,000 or 22%, to \$90,000 for the thirteen weeks ended July 1, 2017 from \$116,000 for the thirteen weeks ended July 2, 2016, primarily due to a decrease in payroll expense of \$4,000 and professional fees and outside services expense of \$25,000. The decrease in professional fees and outside services expense was due to the settlement of a legal matter in December 2016. We anticipate that research and development expenses will remain at the same level for the remainder of fiscal 2017.

General and administrative expenses decreased by \$86,000, or 18%, to \$388,000 for the thirteen weeks ended July 1, 2017 from \$474,000 for the thirteen weeks ended July 2, 2016 due to a decrease in professional fees and outside services expense of \$45,000, public relations expense of \$39,000, and building maintenance and repair expense of \$6,000, which were partially offset by an increase in travel, entertainment and auto expense of \$10,000. The decrease in professional fees and outside services expense was due to the settlement of a legal matter in December 2016. We anticipate that general and administrative expenses will remain at the same level for the remainder of fiscal 2017.

We recognized no income tax expense for the thirteen weeks ended July 1, 2017 compared to income tax expense of \$2,000 for the thirteen weeks ended July 2, 2016. We have a history of losses and have a valuation allowance on our deferred assets. We did not record tax expense other than state taxes for the thirteen weeks ended July 2, 2016.

Twenty-Six Weeks Ended July 1, 2017 Compared with Twenty-Six Weeks Ended July 2, 2016

Net sales for the twenty-six weeks ended July 1, 2017 were \$6,929,000, a decrease of \$367,000, or 5%, from net sales of \$7,296,000 for the twenty-six weeks ended July 2, 2016. Beginning in the first quarter of 2017, we elected to combine the frozen desserts and frozen foods categories into one category as frozen food revenues are not material. Sales of our frozen dessert and frozen food products decreased to \$1,538,000 in the twenty-six weeks ended July 1, 2017 from \$2,156,000 for the twenty-six weeks ended July 2, 2016. Sales of vegan cheese products increased to \$5,391,000 in the 2017 period from \$5,140,000 in the 2016 period. Sales of our frozen dessert products were negatively impacted by production and shipping issues at our frozen desserts novelty plant due to a major physical restructuring program in process at this facility. We anticipate the problems will continue through the balance of this year. We are currently in the process of securing additional facilities to make our frozen novelty products. Sales of our vegan cheese product line increased due to an increase in our domestic vegan cheese business.

Our gross profit decreased to \$2,187,000 in the twenty-six week period ended July 1, 2017 from \$2,423,000 in the twenty-six week period ended July 2, 2016, due to the decrease in sales. Our gross profit percentage was 32% for the period ending July 1, 2017 compared to 33% for the period ending July 2, 2016. Sales promotion expense for the twenty-six weeks ended July 1, 2017 increased to \$820,000 compared to \$812,000 for the twenty-six weeks ended July 2, 2016. Freight out expense, a significant part of our cost of sales, increased by \$30,000, or 6%, to \$523,000 for the twenty-six weeks ended July 1, 2017 compared to \$493,000 for the twenty-six weeks ended July 2, 2016 due to an overall increase in freight rates. As a percentage of sales, freight out expense was 8% for the 2017 twenty-six week period and 7% for the 2016 twenty-six week period, respectively.

Selling expenses increased by \$64,000, or 9%, to \$797,000 for the twenty-six weeks ended July 1, 2017 from \$733,000 for the twenty-six weeks ended July 2, 2016. This increase was due to increases in commission expense of \$54,000 and outside warehouse rental expense of \$10,000, which were partially offset by a decrease in meetings and conventions expense of \$4,000. The increase in commission expense was due to the hiring of additional food brokers for previously non-commissionable customers.

Marketing expenses increased by \$27,000, or 21%, to \$158,000 for the twenty-six weeks ended July 1, 2017 from \$131,000 for the twenty-six weeks ended July 2, 2016, due principally to increases in advertising expense of \$15,000 and promotions expense of \$26,000, which were partially offset by a reduction in artwork and plates expense of \$14,000.

Research and development costs, which consist principally of salary expenses and laboratory costs, decreased by \$48,000, or 19%, to \$201,000 for the twenty-six weeks ended July 1, 2017 from \$249,000 for the twenty-six weeks ended July 2, 2016, due primarily to a decrease in professional fees and outside services expense of \$65,000, which was partially offset by an increase in lab costs and supplies of \$18,000. The decrease in professional fees and outside services expense was due to the settlement of a legal matter in December 2016.

General and administrative expenses decreased by \$50,000, or 5%, to \$917,000 for the twenty-six weeks ended July 1, 2017 from \$967,000 for the twenty-six weeks ended July 2, 2016. Increases in stock option expense of \$43,000, payroll expense of \$14,000, general insurance expense of \$15,000, and travel, entertainment and auto expense of \$9,000 were offset by decreases in IT expense of \$13,000, public relations expense of \$45,000, and professional fees and outside services expense of \$75,000. The decrease in professional fees and outside services expense was due to the settlement of a legal matter in December 2016.

For the twenty-six weeks ended July 1, 2017, we recognized income tax expense of \$5,000 compared to income tax expense of \$6,000 for the twenty-six weeks ended July 2, 2016. We have a history of losses and have a full valuation allowance on our deferred tax assets. We did not record tax expense other than state taxes for the twenty-six weeks ending July 1, 2017 and July 2, 2016.

Liquidity and Capital Resources

As of July 1, 2017, we had approximately \$329,000 in cash and cash equivalents and our working capital was approximately \$3,114,000, compared with approximately \$132,000 in cash and cash equivalents and working capital of \$2,949,000 at December 31, 2016. On August 11, 2017, we terminated our engagement with a financial advisor that was assisting us in pursuing strategic alternatives. We are currently evaluating our strategic alternatives.

In order to provide our company with additional working capital, on January 6, 2016, David Mintz, our Chairman and Chief Executive Officer, provided our company with a loan of \$500,000 which is secured by substantially all of our assets and has been extended to December 31, 2018. Commencing March 31, 2016, interest of 5% is payable on a quarterly basis without compounding. The loan may be prepaid in whole or in part at any time without premium or penalty. The loan is convertible into our common stock at a conversion price of \$4.01 per share, the closing price of our common stock on the date the promissory note was entered into. In any event of default, as defined in the promissory note, without any action on the part of Mr. Mintz, the interest rate will increase to 12% per annum and the entire principal and interest balance under the loan, and all of our other obligations under the loan, will be immediately due and payable, and Mr. Mintz will be entitled to seek and institute any and all remedies available to him.

The following table summarizes our cash flows for the periods presented:

	<u>Twenty-Six Weeks ended July 1, 2017</u>	<u>Twenty-Six Weeks ended July 2, 2016</u>
Net cash provided by (used in) operating activities	\$ 200,000	\$ (368,000)
Net cash (used in) provided by financing activities	(3,000)	498,000
Net increase in cash and cash equivalents	<u>\$ 197,000</u>	<u>\$ 130,000</u>

Net cash provided by operating activities for the twenty-six weeks ended July 1, 2017 was \$200,000 compared to \$368,000 used in operating activities for the twenty-six weeks ended July 2, 2016. Net cash provided by operating activities for the twenty-six weeks ended July 1, 2017 was primarily a result of net income for the twenty-six weeks ended July 1, 2017 and decreases in accounts receivable and inventory, which were partially offset by a reduction in accounts payable. Net cash used in financing activities for the twenty-six weeks ended July 1, 2017 was \$3,000 compared to \$498,000 provided by financing activities for the twenty-six weeks ended July 2, 2016 primarily as a result of the loan from our Chairman and Chief Executive Officer.

We believe our existing cash and cash equivalents on hand at July 1, 2017, existing working capital and the cash flows expected from operations, will be sufficient to support our operating and capital requirements during the next twelve months. However, we may require additional financing in order to carry out our business plans for future periods.

Inflation and Seasonality

We do not believe that our operating results have been materially affected by inflation during the preceding two years. There can be no assurance, however, that our operating results will not be affected by inflation in the future. Our business is subject to minimal seasonal variations with slightly increased sales historically in the second and third quarters of the fiscal year. We expect to continue to experience slightly higher sales in the second and third quarters, and slightly lower sales in the fourth and first quarters, as a result of reduced sales of nondairy frozen desserts during those periods.

Off-balance Sheet Arrangements

None.

Contractual Obligations

As of July 1, 2017, we did not have any material contractual obligations or commercial commitments, including obligations relating to discontinued operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We do not believe that our exposure to market risk related to the effect of changes in interest rates, foreign currency exchange rates, commodity prices and other market risks with regard to instruments entered into for trading or for other purposes is material.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As of July 1, 2017, our company's chief executive officer and chief financial officer conducted an evaluation regarding the effectiveness of our company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act. Based upon the evaluation of these controls and procedures, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were not effective as July 1, 2017.

Disclosure Controls and Internal Controls. As provided in Rule 13a-14 of the General Rules and Regulations under the Securities and Exchange Act of 1934, as amended, Disclosure Controls are defined as meaning controls and procedures that are designed with the objective of insuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, designed and reported within the time periods specified by the SEC's rules and forms. Disclosure Controls include, within the definition under the Exchange Act, and without limitation, controls and procedures to insure that information required to be disclosed by us in our reports is accumulated and communicated to our management, including our chief executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosure. Internal Controls are procedures which are designed with the objective of providing reasonable assurance that (1) our transactions are properly authorized; (2) our assets are safeguarded against unauthorized or improper use; and (3) our transactions are properly recorded and reported, all to permit the preparation of our financial statements in conformity with generally accepted accounting principles.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of the Chief Executive Officer and Chief Financial Officer and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's evaluation of internal control over financial reporting includes using the COSO framework, an integrated framework for the evaluation of internal controls issued by the Committee of Sponsoring Organizations of the Treadway Commission, to identify the risks and control objectives related to the evaluation of our control environment.

Based on their evaluation under the frameworks described above, our chief executive officer and chief financial officer have concluded that our internal control over financial reporting continued to be ineffective as of July 1, 2017 because of the following recurring material weaknesses in internal controls over financial reporting:

- a lack of sufficient resources and an insufficient level of monitoring and oversight, which may restrict our ability to gather, analyze and report information relative to the financial statements and income tax assertions in a timely manner.
- The limited size of the accounting department makes it impracticable to achieve an optimum separation of duties.

We are seeking ways to remediate these weaknesses, which stem from our small workforce, which consisted of nine employees at July 1, 2017, that will not require us to hire additional personnel.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered by this report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any material litigation.

Item 1A. Risk Factors

There have been no material changes to the Company's "Risk Factors" set forth in its Annual Report on Form 10-K for the year ended December 31, 2016.

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

None.

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Item 5. Other Information

None.

Item 6. Exhibits

31.1	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
32.1	Certification by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Instance Document
101.SCH	Schema Document*
101.CAL	Calculation Linkbase Document
101.DEF	Definition Linkbase Document
101.LAB	Labels Linkbase Document
101.PRE	Presentation Linkbase Document

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.

TOFUTTI BRANDS INC.
(Registrant)

/s/ David Mintz

David Mintz
President and Chief Executive Officer

/s/ Steven Kass

Steven Kass
Chief Accounting and Financial Officer

Date: August 15, 2017

**CERTIFICATION PURSUANT TO
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, David Mintz, certify that:

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

Date: August 15, 2017

*/s/ David Mintz**

David Mintz
Chief Executive Officer

* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

**CERTIFICATION PURSUANT TO
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven Kass, certify that:

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

Date: August 15, 2017

*/s/ Steven Kass**

Steven Kass
Chief Financial Officer

* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Tofutti Brands Inc. (the "Company") on Form 10-Q for the period ending July 1, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Mintz, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

*/s/ David Mintz**

David Mintz
Chief Executive Officer
Date: August 15, 2017

* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Tofutti Brands Inc. (the "Company") on Form 10-Q for the period ending July 1, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven Kass, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

*/s/ Steven Kass**

Steven Kass
Chief Financial Officer

Date: August 15, 2017

* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.
