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

# FORM 10-Q

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2018

[ ] 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** | **13-3094658** |
| (State of Incorporation) | (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 [X] 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 [X] 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 [X] 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 [X]

As of August 13, 2018 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)**

| | June 30, 2018 (Unaudited) | December 30, 2017* |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 537 | $ 1,414 |
| Accounts receivable, net of allowance for doubtful accounts and sales promotions of $416 and $386, respectively | 2,212 | 1,770 |
| Inventories | 2,001 | 1,483 |
| Prepaid expenses and other current assets | 89 | 72 |
| Deferred costs | 59 | 86 |
| Total current assets | 4,898 | 4,825 |
| | | |
| Fixed assets (net of accumulated depreciation of $22 and $19, respectively) | 7 | 10 |
| Other assets | 16 | 16 |
| Total assets | $ 4,921 | $ 4,851 |
| | | |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Note payable-current | $ — | $ 6 |
| Accounts payable | 458 | 468 |
| Accrued expenses | 239 | 536 |
| Deferred revenue | 65 | 94 |
| Total current liabilities | 762 | 1,104 |
| | | |
| Convertible note payable- related party | 500 | 500 |
| Note payable-long term | — | 4 |
| Total liabilities | 1,262 | 1,608 |
| | | |
| 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 June 30, 2018 and December 30, 2017 | 52 | 52 |
| Additional paid-in capital | 207 | 207 |
| Retained earnings | 3,400 | 2,984 |
| Total stockholders' equity | 3,659 | 3,243 |
| Total liabilities and stockholders' equity | $ 4,921 | $ 4,851 |

* 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 June 30, 2018 | Thirteen weeks ended July 1, 2017 | Twenty-six weeks ended June 30, 2018 | Twenty-six weeks ended July 1, 2017 |
|---|---|---|---|---|
| Net sales | $ 3,443 | $ 3,646 | $ 7,217 | $ 6,929 |
| Cost of sales | 2,429 | 2,473 | 4,923 | 4,742 |
| Gross profit | 1,014 | 1,173 | 2,294 | 2,187 |
| Operating expenses: | | | | |
| Selling and warehouse | 348 | 357 | 703 | 797 |
| Marketing | 56 | 62 | 138 | 158 |
| Research and development | 108 | 90 | 214 | 201 |
| General and administrative | 406 | 388 | 805 | 917 |
| | 918 | 897 | 1,860 | 2,073 |
| Income from operations | 96 | 276 | 434 | 114 |
| Interest expense | 6 | 6 | 13 | 12 |
| Income before income tax | 90 | 270 | 421 | 102 |
| Income tax expense | — | — | 5 | 5 |
| Net income | $ 90 | $ 270 | $ 416 | $ 97 |
| Weighted average common shares outstanding: | | | | |
| Basic and diluted | 5,154 | 5,154 | 5,154 | 5,154 |
| Earnings per common share: | | | | |
| Basic and diluted | $ 0.02 | $ 0.05 | $ 0.08 | $ 0.02 |

See accompanying notes to condensed financial statements.

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

| | Twenty-six weeks ended June 30, 2018 | Twenty-six weeks ended July 1, 2017 |
|---|---|---|
| Cash (used in) provided by operating activities, net | $ (867) | $ 200 |
| Cash (used in) financing activities, net | (10) | (3) |
| Net (decrease) increase in cash and cash equivalents | (877) | 197 |
| Cash and cash equivalents at beginning of period | 1,414 | 132 |
| Cash and cash equivalents at end of period | $ 537 | $ 329 |
| Supplemental cash flow information: | | |
| Income taxes paid | $ 5 | $ 5 |
| Interest paid | $ 13 | $ 12 |

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 June 30, 2018, Tofutti Brands, Inc. ("Tofutti" or the "Company") had approximately $537 in cash compared to $1,414 at December 30, 2017. Net cash used in operating activities for the twenty-six weeks ended June 30, 2018 was $867 compared to $200 provided by operating activities for the twenty-six weeks ended July 1, 2017. Net cash used in operating activities for the twenty-six weeks ended June 30, 2018 was primarily a result of an increase in inventory and accounts receivable and a reduction in current liabilities, partially offset by net income for the period. Net cash used in financing activities for the twenty-six weeks ended at June 30, 2018 was $10 compared to $3 used in financing activities for the twenty-six weeks ended July 1, 2017.

The Company has historically financed operations and met capital requirements primarily through positive cash flow from operations. More recently, David Mintz, the Company's Chairman and Chief Executive Officer, provided the Company with a loan of $500 on January 6, 2016, bearing interest of 5% 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 common stock on the date the promissory note was entered into. Initially due December 31, 2017, the loan has been extended until December 31, 2019. In the 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 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**.**

## Note 2: Description of Business

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

**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 30, 2017 are derived from our audited financial statements for the year ended December 30, 2017. The financial information should be read in conjunction with the audited financial statements and notes thereto for the year ended December 30, 2017 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 June 30, 2018 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 31$^{st}$.

**Note 4: New and Recently Adopted Accounting Standards**

Effective December 31, 2017, the Company adopted Financial Accounting Standards Board ("FASB") Topic 606, Revenue from Contacts with Customers ("ASC 606"). In accordance with ASC 606, the Company did not change any characteristics of the Company's revenue recognition policy as it was determined that the standard only impacted enhanced disclosure regarding revenue recognition, including disclosures of revenue streams, performance obligations, variable consideration and the related judgments and estimates necessary to apply the new standard.

ASC 606 was applied using the modified retrospective method. There was no cumulative effect of the initial application to be recognized as an adjustment to opening retained earnings at December 31, 2017. Accordingly, comparative periods have not been adjusted and continue to be reported under FASB ASC Topic 605, Revenue Recognition ("ASC" 605).

The Company generates revenues from the delivery of Tofutti branded non-dairy, soy-based frozen desserts, cheeses and other food products. Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration expected to be received in exchange for those goods or services. The Company recognizes revenue when performance obligations under the terms of a contract with customers are satisfied; generally, this occurs with the transfer of control of the Company's products. Revenue is measured as the amount of net consideration expected to be received in exchange for transferring products. Revenue from product sales is governed primarily by purchase orders ("contracts") which specify quantity and product(s) ordered, shipping terms and certain aspects of the transaction price including discounts. Contracts are at standalone pricing that is governed by a pricing list. A performance obligation is a promise in a contract to transfer a distinct service to the customer. The performance obligation in these contracts is determined by each of the individual purchase orders and the respective stated quantities, with revenue being recognized at a point in time when obligations under the terms of the agreement are satisfied. This generally occurs with the transfer of control when the product is shipped or in most cases, picked up from one of the Company's distribution locations, by the customer.

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

**Note 5: Inventories**

The composition of inventories is as follows:

| | June 30, 2018 | December 30, 2017 |
|---|---|---|
| Finished products | $ 1,320 | $ 820 |
| Raw materials and packaging | 681 | 663 |
| | $ 2,001 | $ 1,483 |

**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 June 30, 2018 and December 30, 2017, the Company recorded a full valuation allowance on its deferred tax asset balances.

**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 June 30, 2018 and July 1, 2017 are 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, of which there were no such common stock equivalents during these periods. Not included in the calculation for June 30, 2018 and July 1, 2017 were 80,000 non-qualified options granted to directors that were antidilutive because the market price of the common stock as of June 30, 2018 and July 1, 2017 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 June 30, 2018 | Thirteen Weeks Ended July 1, 2017 | Twenty-six Weeks Ended June 30, 2018 | Twenty-six Weeks Ended July 1, 2017 |
|---|---|---|---|---|
| Numerator | | | | |
| Net income-basic and diluted | $ 90 | $ 270 | $ 416 | $ 97 |
| | | | | |
| Denominator | | | | |
| Weighted average common shares- basic and diluted | 5,153,706 | 5,153,706 | 5,153,706 | 5,153,706 |
| Earnings per common share-basic and diluted | $ 0.02 | $ 0.05 | $ 0.08 | $ 0.02 |

**(In thousands, except for share and per share data)**

**Note 8: Fixed Assets**

Fixed assets consist of the following:

| | June 30, 2018 | December 30, 2017 |
|---|---|---|
| Automobile | $ 29 | $ 29 |
| Less: accumulated depreciation | (22) | (19) |
| Fixed assets, net | $ 7 | $ 10 |

Depreciation expense for the thirteen and twenty-six weeks ended June 30, 2018 was $1 and $3, respectively. Depreciation expense for the thirteen and twenty-six weeks ended July 1, 2017 was $1 and $3, respectively.

**Note 9: Share 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 June 30, 2018, the Company has issued 80,000 non-qualified stock option awards under the 2014 Plan.

**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. The loan was fully paid off in May 2018.

| | December 30, 2017 |
|---|---|
| Note payable | $ 10 |
| Less current maturity | 6 |
| Note payable, net of current maturity | $ 4 |

**Related Party**

On January 6, 2016, David Mintz, the Company’s Chairman and Chief Executive, 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, 2019. 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.

| | June 30, 2018 | December 30, 2017 |
|---|---|---|
| Note payable-related party | $ 500 | $ 500 |
| Less current maturity | — | — |
| Note payable related party, net of current maturity | $ 500 | $ 500 |

**Note 11: Sales by Geographic Region and Product Category**

Revenue relating to the delivery of products is recognized at a point in time based on actual products and quantity shipped, which can vary from purchase order to purchase order, and net of all applicable discounts, as follows: Payment term discounts, off-invoice allowance, manufacturer chargeback, freight allowance, and spoilage discounts.

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

| | Thirteen Weeks ended June 30, 2018 | Thirteen Weeks ended July 1, 2017 | Twenty-Six Weeks ended June 30, 2018 | Twenty-Six Weeks ended July 1, 2017 |
|---|---|---|---|---|
| Revenues by geography: | | | | |
| Americas | $ 3,178 | $ 3,243 | $ 6,374 | $ 6,281 |
| Europe | 73 | 175 | 230 | 244 |
| Asia Pacific and Africa | 57 | 104 | 178 | 169 |
| Middle East | 135 | 124 | 435 | 235 |
| | $ 3,443 | $ 3,646 | $ 7,217 | $ 6,929 |

Approximately 91% of the Americas revenue in 2018 and 94% of the Americas revenue in 2017 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.

Net sales by major product category (in thousands):

| | Thirteen Weeks ended June 30, 2018 | Thirteen Weeks ended July 1, 2017 | Twenty-Six Weeks ended June 30, 2018 | Twenty-Six Weeks ended July 1, 2017 |
|---|---|---|---|---|
| Frozen Desserts and Foods | $ 702 | $ 883 | $ 1,344 | $ 1,538 |
| Cheeses | 2,741 | 2,763 | 5,873 | 5,391 |
| | $ 3,443 | $ 3,646 | $ 7,217 | $ 6,929 |

Timing of revenue recognition (in thousands):

| | Thirteen Weeks ended June 30, 2018 | Thirteen Weeks ended July 1, 2017 | Twenty-Six Weeks ended June 30, 2018 | Twenty-Six Weeks ended July 1, 2017 |
|---|---|---|---|---|
| Products transferred at a point in time | $ 3,443 | $ 3,646 | $ 7,217 | $ 6,929 |
| | $ 3,443 | $ 3,646 | $ 7,217 | $ 6,929 |

Contract balances (in thousands):

| | June 30, 2018 | July 1, 2017 |
|---|---|---|
| Receivables, which are included in accounts receivable, net | $ 2,212 | $ 2,080 |
| Deferred revenue, current portion | $ 65 | $ 152 |

Contract receivables are recorded at the invoiced amount, net of all applicable discounts. The contract liabilities primarily relate to unearned revenue.

**Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>**

*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 primarily sell non-dairy soy-based frozen desserts, cheeses and other food products as detailed in Note 11 *Sales by Geographic Region and Product Category.* We recognize revenue when control over the products transfers to our customers, which generally occurs upon delivery or shipment of the products. We account for product shipping, handling and insurance as fulfillment activities with revenues for these activities recorded within net revenue and costs recorded within cost of sales. Revenues are recorded net of trade and sales incentives and estimated product returns. Known or expected pricing or revenue adjustments, such as trade discounts, rebates or returns, are estimated at the time of sale. We base these estimates of expected amounts principally on historical utilization and redemption rates. Estimates that affect revenue, such as trade incentives and product returns, are monitored and adjusted each period until the incentives or product returns are realized.

Key sales terms, such as pricing and quantities ordered, are established on a frequent basis such that most customer arrangements and related incentives have a one year or shorter duration. As such, we do not capitalize contract inception costs and we capitalize product fulfillment costs in accordance with U.S. GAAP and our inventory policies. We generally do not have any unbilled receivables at the end of a period.

*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.

*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**

Effective December 31, 2017, we adopted Financial Accounting Standards Board ("FASB") Topic 606, Revenue from Contacts with Customers ("ASC 606"). In accordance with ASC 606, we did not change any characteristics of the Company's revenue recognition policy as it was determined that the standard only impacted enhanced disclosure regarding revenue recognition, including disclosures of revenue streams, performance obligations, variable consideration and the related judgments and estimates necessary to apply the new standard.

**Results of Operations**

Thirteen Weeks Ended June 30, 2018 Compared with Thirteen Weeks Ended July 1, 2017

Net sales for the thirteen weeks ended June 30, 2018 were $3,443,000, a decrease of $203,000, or 6%, from net sales of $3,646,000 for the thirteen weeks ended July 1, 2017. The decrease is primarily attributable to a $181,000 decline in frozen dessert and frozen food products sales to $702,000 in the thirteen weeks ended June 30, 2018 from $883,000 for the thirteen weeks ended July 1, 2017. Frozen dessert sales were negatively impacted by the unavailability of certain frozen novelties that our former manufacturing plant had produced for us. We will resume production of Yours Truly Cones in our new facility in September and our stick novelties are expected to be back in production in the fourth quarter of this year. Tofutti Cutie sales have not been impacted as our new production facility began manufacturing them in March. Sales of vegan cheese products decreased slightly to $2,741,000 in the 2018 period from $2,763,000 in the 2017 period due to a decrease in our export cheese business. Our export vegan cheese sales were negatively impacted by new customs requirements in Israel, which impacted all imports into that country. The new regulations have significantly increased the time it takes to clear a shipment through customs in Israel as government officials implement the new requirements. We anticipate that we will still face these issues in the third quarter, but they should be resolved during the fourth quarter.

Our gross profit decreased to $1,014,000 in the thirteen weeks ended June 30, 2018 from $1,173,000 in the thirteen weeks ended July 1, 2017 due to the reduction in sales and a lower gross profit percentage in the 2018 period. Our gross profit percentage was 29% for the thirteen weeks ending June 30, 2018 compared to 32% for the thirteen weeks ending July 1, 2017.

The decrease in our gross profit percentage was primarily due to an increase in freight out expense, which is a component of cost of sales. Freight out expense, a significant part of our cost of sales, increased by $36,000, or 16%, to $259,000 for the thirteen weeks ended June 30, 2018 compared with $223,000 for the thirteen weeks ended July 1, 2017. As a percentage of sales, freight out expense was 8% percent for the thirteen weeks ended June 30, 2018 compared to 6% percent for the thirteen weeks ended July 1, 2017. This increase in freight out expense and percentage accounted for a 3% percent reduction in our gross profit percentage for the 2018 period.

We anticipate that our freight cost as a percentage of sales in fiscal 2018 will increase due to the implementation of the ELD (Electronic Logging Device) Mandate and to higher fuel costs. The ELD Mandate was established by the Federal Motor Carrier Safety Administration and all commercial trucking was required to adopt these rules as of January 1, 2018. The major purpose of this requirement is to track and record a driver's hours of service electronically to make sure that all drive segments are captured for reasons of safety. The anticipated net effect for companies using commercial vehicles as their mode of distribution will be an increase in freight costs.

Selling expenses decreased by $9,000, or 3%, to $348,000 for the thirteen weeks ended June 30, 2018 from $357,000 for the thirteen weeks ended July 1, 2017. This decrease was principally due to decreases in payroll expense of $15,000 and outside warehouse rental expense of $7,000, which were partly offset by an increase in meetings and convention expense of $14,000. The decrease in payroll expense was due to one less person in sales. We anticipate that our selling expenses will remain at the same level for the balance of 2018.

Marketing expenses decreased by $6,000, or 10%, to $56,000 for the thirteen weeks ended June 30, 2018 from $62,000 for the thirteen weeks ended July 1, 2017, due to a decrease in promotion expense of $26,000, which was partially offset by increases in advertising expense of $17,000 and artwork and plate expense of $4,000. We anticipate that marketing expenses will remain at the same level for the remainder of fiscal 2018.

Research and development costs, which consist principally of salary expenses and laboratory costs, increased by $18,000 or 20%, to $108,000 for the thirteen weeks ended June 30, 2018 from $90,000 for the thirteen weeks ended July 1, 2017, primarily due to an increase in payroll expense of $10,000 and professional fees and outside services expense of $10,000. Payroll expense increased as a result of hiring one new person. We anticipate that research and development expenses will remain at the same level for the remainder of fiscal 2018.

General and administrative expenses increased by $18,000, or 5%, to $406,000 for the thirteen weeks ended June 30, 2018 from $388,000 for the thirteen weeks ended July 1, 2017 due to increases in payroll expense of $5,000, professional fees and outside services expense of $10,000 and public relations expense of $4,000. We anticipate that general and administrative expenses will remain at the same level for the remainder of fiscal 2018.

We have computed tax expense based on actual results as we cannot determine projected results with enough precision to determine an annual effective tax rate. We had no income tax expense for the thirteen weeks ended June 30, 2018 and the thirteen weeks ended July 1, 2017, due to the utilization of net operating loss carryforwards that are offset by a full valuation allowance.

Twenty-Six Weeks Ended June 30, 2018 Compared with Twenty-Six Weeks Ended July 1, 2017

Net sales for the twenty-six weeks ended June 30, 2018 were $7,217,000, an increase of $288,000, or 4%, from net sales of $6,929,000 for the twenty-six weeks ended July 1, 2017. Sales of our frozen dessert and frozen food products decreased to $1,344,000 in the twenty-six weeks ended June 30, 2018 from $1,538,000 for the twenty-six weeks ended July 1, 2017. Sales of vegan cheese products increased to $5,873,000 in the 2018 period from $5,391,000 in the 2017 period. Sales of our frozen dessert products were negatively impacted by the unavailability of certain frozen novelties that our former manufacturing plant had produced for us. We will resume production of Yours Truly Cones in our new facility in September and our stick novelties will be back in production in the fourth quarter of this year. Tofutti Cutie sales were not impacted by the change in production facilities. Sales of our vegan-cheese product line increased due to an increase in both our export and domestic cheese business.

Our gross profit increased to $2,294,000 in the twenty-six week period ended June 30, 2018 from $2,187,000 in the twenty-six week period ended July 1, 2017, due to the increase in sales. Our gross profit percentage remained unchanged at 32% for the twenty-six week periods ending June 30, 2018 and July 1, 2017. Freight out expense, a significant part of our cost of sales, increased slightly by $14,000, or 3%, to $537,000 for the twenty-six weeks ended June 30, 2018 compared with $523,000 for the twenty-six weeks ended July 1, 2017. As a percentage of sales, freight out expense was 7% in the 2018 and 2017 twenty-six week periods.

We anticipate that our freight cost as a percentage of sales in fiscal 2018 will increase due to the implementation of the ELD Mandate and to higher fuel costs. The anticipated net effect for companies using commercial vehicles as their mode of distribution will be an increase in freight costs.

Selling expenses decreased by $94,000, or 12%, to $703,000 for the twenty-six weeks ended June 30, 2018 from $797,000 for the twenty-six weeks ended July 1, 2017. This decrease was due to decreases in payroll expense of $33,000, commissions expense of $29,000, travel expense of $7,000 and outside warehouse rental expense of $42,000, which were partially offset by an increase in meetings and conventions expense of $14,000. The decrease in payroll expense was due to one less person in sales. The decrease in commission expense was due to an increase in sales to house accounts for which we pay no commissions to brokers. The decrease in outside warehouse rental was due to lower inventory balances throughout most of the 2018 twenty-six week period.

Marketing expenses decreased by $20,000, or 13%, to $138,000 for the twenty-six weeks ended June 30, 2018 from $158,000 for the twenty-six weeks ended July 1, 2017, due a decrease in promotion expense of $29,000, which was partially offset by an increase in artwork and plates expense of $7,000.

Research and development costs, which consist principally of salary expenses and laboratory costs, increased by $13,000, or 6%, to $214,000 for the twenty-six weeks ended June 30, 2018 from $201,000 for the twenty-six weeks ended July 1, 2017, due primarily to increases in professional fees and outside services expense of $10,000 and payroll expense of $13,000, which were partially offset by a decrease in lab costs and supplies of $6,000. Payroll expense increased as a result of hiring one new person.

General and administrative expenses decreased by $112,000, or 12%, to $805,000 for the twenty-six weeks ended June 30, 2018 from $917,000 for the twenty-six weeks ended July 1, 2017. This decrease was a result of decreases in stock option expense of $69,000, payroll expense of $10,000 and professional fees and outside services expense of $15,000.

We have computed tax expense based on actual results as we cannot determine projected results with enough precision to determine an annual effective tax rate. We had no income tax expense other than state taxes of $5,000 for the twenty-six weeks ended June 30, 2018 and July 1, 2017, due to the utilization of net operating loss carryforwards that are offset by a full valuation allowance.

**Liquidity and Capital Resources**

As of June 30, 2018, we had approximately $537,000 in cash and cash equivalents and our working capital was approximately $4,136,000, compared with approximately $1,414,000 in cash and cash equivalents and working capital of $3,721,000 at December 30, 2017. Our current and quick acid test ratios were 6.4 and 3.6, respectively, as of June 30, 2018 compared with 4.4 and 2.9, respectively, as of December 30, 2017.

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. The loan, which has been extended to December 31, 2019, bears interest of 5% and 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:

| | Twenty-Six Weeks ended June 30, 2018 | Twenty-Six Weeks ended July 1, 2017 |
|---|---|---|
| Net cash (used in) provided by operating activities | $ (867,000) | $ 200,000 |
| Net cash (used in) financing activities | (10,000) | (3,000) |
| Net (decrease) increase in cash and cash equivalents | $ (877,000) | $ 197,000 |

Net cash used in operating activities for the twenty-six weeks ended June 30, 2018 was $867,000 compared to $200,000 provided by operating activities for the twenty-six weeks ended July 1, 2017. Net cash used by operating activities for the twenty-six weeks ended June 30, 2018 was primarily a result of an increase in inventory and accounts receivable and a reduction in current liabilities. Accounts receivable increased due to most of our second quarter sales occurring at the end of the second quarter. Inventory increased due a large increase in our frozen dessert inventory that was the result of the start-up of our new frozen dessert facility which has enabled us to significantly increase our inventory of Cuties for the summer selling season. Net cash used in financing activities for the twenty-six weeks ended June 30, 2018 was $10,000 compared to $3,000 used in financing activities for the twenty-six weeks ended July 1, 2017.

We believe our existing cash and cash equivalents on hand at June 30, 2018, 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.

**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 June 30, 2018, we did not have any material contractual obligations or commercial commitments, including obligations relating to discontinued operations.

**Recently Adopted Accounting Standards**

See Note 4 to the unaudited condensed financial statements included in Part I, Item 1, *Financial Statements*, of this Quarterly Report on Form 10-Q.

## 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 June 30, 2018, 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 June 30, 2018.

*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 June 30, 2018 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 eight employees at June 30, 2018, 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 30, 2017.

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

None.

**Item 3.** **Default Upon Senior Securities**

None.

**Item 4.** **Mine Safety Disclosures**

None.

**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 14, 2018

**Exhibit 31.1**

**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 14, 2018

*/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.

**Exhibit 31.2**

**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 14, 2018

*/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.

**Exhibit 32.1**

**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 June 30, 2018 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 14, 2018

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

**Exhibit 32.2**

**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 June 30, 2018 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 14, 2018

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