FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

Filing Date: **1999-03-26** | Period of Report: **1998-12-26**
SEC Accession No. 0000910662-99-000010

FILER

TOFUTTI BRANDS INC

CIK:**730349**| IRS No.: **133094658** | State of Incorp.:**DE** | Fiscal Year End: **1229**
Type: **10KSB** | Act: **34** | File No.: **001-09009** | Film No.: **99574298**
SIC: **2024** Ice cream & frozen desserts

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 26, 1998

Commission File Number: 1-9009

TOFUTTI BRANDS INC.
(Name of small business issuer in its charter)

Delaware	13-3094658
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
50 Jackson Drive, Cranford, New Jersey	07016
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number: (908) 272-2400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

Issuer's revenues for its most recent fiscal year: $8,991,000

The aggregate market value of voting stock held by non-affiliates computed by reference to the closing sale price of such stock, as reported by the American Stock Exchange, on March 10, 1999 was $2,996,127.

As of March 10, 1999, the Registrant had 6,183,567 shares of Common Stock, par value $.01, outstanding.

Transitional Small Business Disclosure Format Yes No x.

PART I

Item 1. Description of Business

GENERAL

Tofutti Brands Inc., a Delaware corporation (the "Company") is engaged in the development, production and marketing of TOFUTTI(R) brand non-dairy frozen desserts and other food products. TOFUTTI products are non-dairy, soya-based products which contain no butterfat, cholesterol or lactose. Butterfat and cholesterol are perceived by some medical experts and a significant number of consumers as causing health problems. In addition, some studies have shown that lactose intolerance, the inability to metabolize milk and dairy products, is present to varying degrees in a significant number of people. All dairy products have lactose, or milk sugar. Most human beings are born with a supply of lactase, an enzyme essential for digesting lactose. With age, the body's supply of lactase may diminish, which may cause difficulty in the digestion of lactose.

TOFUTTI products are 100% milk free yet offer the same texture and full-bodied taste as their dairy counterparts. TOFUTTI products are also free of cholesterol and derive their fat from soy and corn, both naturally lower in saturated fat than dairy products.

TOFUTTI products are an alternative for dairy-conscious individuals with lactose intolerance or for those health-oriented people with a desire to keep cholesterol intake in check. The Company's products enable such individuals to enjoy products similar to dairy products without their downside health risks. Although the Company believes the absence of lactose and butterfat in TOFUTTI products makes them attractive to persons with lactose intolerance or heart disease, the Company has not conducted any studies regarding the efficacy of TOFUTTI products as they relate to lactose intolerance and heart disease and makes no representation as to the accuracy of studies performed by others.

The Company introduced several new products during 1998. Among them were several new frozen items including sugar free, fat free TOFUTTI non-dairy frozen dessert in half-gallons, TOFUTTI BLINTZES and POTATO PANCAKES, both made with the Company's BETTER THAN CREAM CHEESE(R) and TOFUTTI PIZZA PIZZAZ, made with the Company's non-dairy mozzarella cheese. The Company also introduced several new shelf-stable products in 1998; TOFUTTI TEDDY BEARS CHOCOLATE and PANCAKE SYRUPS are fat free, all natural products, while TOFUTTI TOTALLY NUTS, offers consumers roasted soy nuts as a healthy snack alternative. With the introduction of its new products and improved channels of distribution, the Company significantly improved its sales in 1998.

TOFUTTI PRODUCT LINE

o Premium TOFUTTI non-dairy frozen dessert, available in prepacked pints, three-gallon cans and soft serve mix, is sold nationally in supermarkets, grocery stores, retail shops and restaurants. The Company currently offers seven flavors of premium hard frozen

TOFUTTI: Chocolate Supreme, Wildberry Supreme, Vanilla, Vanilla Almond Bark(R), Vanilla Fudge, Chocolate Cookie Crunch and Better Pecan(R).

o TOFUTTI low fat non-dairy frozen dessert offers the calorie-conscious consumer a creamy dessert that is 98% fat free and less than 120 calories per serving. Sold nationally in pints, LOW FAT TOFUTTI is offered in a number of flavors including Vanilla Fudge, Chocolate Fudge, Coffee Marshmallow Swirl, Strawberry Banana and Peach Mango. LOW FAT TOFUTTI is also available as a soft serve mix in three flavors: Vanilla, Chocolate and Strawberry.

o Cool and refreshing TOFUTTI SORBETS in pint containers offer the consumer a natural sorbet dessert and come in six flavors: Chocolate, Strawberry, Orange Peach Mango, Lemon, Coffee and Raspberry Tea.

o HONEY SWEETENED TOFUTTI in pints offers those individuals with sugar restrictions a natural alternative without artificial sweeteners and comes in two flavors: Vanilla Chamomile and Krazy Garlic Plus.

o TOFUTTI SUNDAE HALF GALLONS offer the diet conscious consumer a sugar free, fat free dessert with the taste and texture of premium TOFUTTI. They are currently available in three flavors: Vanilla Fudge Sundae, Chocolate Fudge Sundae and Strawberry Sundae.

o TOFUTTI CUTIES(R) are bite-size frozen sandwiches combining a chocolate, vanilla, wildberry or peanut butter filling between two chocolate wafers. Half the size of traditional ice cream sandwiches, TOFUTTI CUTIES offer consumers a portion controlled treat.

o TOFUTTI TOO-TOO'S are frozen dessert cookie sandwiches combining creamy and delicious TOFUTTI with a round, vanilla/chocolate chip cookie. TOO-TOO's are available in three flavors: Vanilla, Vanilla/Chocolate Swirl and Vanilla/Chocolate Chip.

o TOFUTTI FRUTTI(R) stick novelties have 180 calories per bar and combine creamy vanilla TOFUTTI with a tangy sorbet covered in chocolate.

o TEDDY FUDGE POPS(R) and CHOCOLATE FUDGE TREATS are stick novelties that offer the consumer the same taste as real fudge bars. The TEDDY FUDGE POP has 70 calories and 1 gram of fat per bar, while CHOCOLATE FUDGE TREATS have only 30 calories per bar and are fat and sugar free.

- The TOFUTTI CUTIE PIE is a rich, premium novelty treat on a stick that combines a rich, creamy TOFUTTI vanilla or chocolate center covered with a chocolate coating. It is available in most health food stores and select supermarkets.

- TOFUTTI FROZEN DESSERT CAKES offer the Tofutti consumer an upscale non-dairy frozen dessert alternative to dairy ice cream cakes. The cakes come in various types, CHOCOLATE LOVERS DELIGHT, ROCK N' ROLL and the SPRINKLE ROLL, and sizes. They are currently available in supermarkets and health food store outlets.

- TOFUTTI BETTER THAN CHEESECAKE(R) is made with the Company's popular BETTER THAN CREAM CHEESE and SOUR SUPREME. Each 20 oz. cake is completely dairy free and the product is available in three flavors: Plain, Chocolate Marble and Strawberry.

- TOFUTTI ITALIAN STYLE CANNOLI are made using the Company's non-dairy BETTER THAN CREAM CHEESE. They combine a creamy, non-dairy cheese filling with a chocolate covered cannoli shell and are available in retail packages.

- TOFUTTI COOKIES are made with all natural ingredients and unbleached flour. The 16 oz. packages are available in peanut butter, oatmeal raisin, chocolate chip and TOFIGGI(R) fig bars. Like all TOFUTTI products, they are completely dairy and cholesterol free.

- TOFUTTI SOY LAVASCH(R) flatbread crackers, made with TOFUTTI BETTER THAN CREAM CHEESE, offer consumers a tasty snack that tastes delicious with spreads or simply plain. SOY LAVASCH come in 5 oz. retail packages and are available in four flavors: Onion & Poppy, Garlic & Dill, Hot & Spicy and Herb & Chive.

- TOFUTTI SOY RITE(R) is a frozen soy beverage that offers health conscious consumers a nutritional creamy beverage drink with all the taste and texture of real milk, yet contains no lactose or cholesterol. SOY RITE comes in Vanilla and Chocolate Flavors and is available in 8 oz. and 16 oz. containers.

- BETTER THAN CREAM CHEESE(R) is similar in taste and texture to traditional cream cheese but is milk and butterfat free and contains no cholesterol. The 8 oz. retail packages are available in plain, French onion, herbs and chives, wildberry, smoked salmon, jalapeno, ginseng and dill, garlic and herb and garden veggie. The plain version is also available in 30 lb. bulk boxes, while certain select flavors are available in 5 lb. containers.

- SOUR SUPREME(R) complements BETTER THAN CREAM CHEESE in that it is similar in taste and texture to traditional sour cream but is milk and butterfat-free and contains no cholesterol. The 12 oz. retail packages are available in plain, guacamole, salsa and cherries 'n' berries. The plain version is also available in 30 lb. bulk boxes.

- TOFUTTI TORTELLINI are bite-sized frozen pasta filled with TOFUTTI BETTER THAN CREAM CHEESE and are sold in 15 oz. bags for supermarkets and health food stores. The tortellini are available in two flavors: cheese and spinach cheese.

- TOFUTTI PIZZA PIZZAZ combines a delicious pan crust, zesty sauce and TOFUTTI'S totally dairy free mozzarella cheese into a completely authentic, yet healthy pizza. It is available in three square slice retail boxes.

- TOFUTTI BLINTZES are frozen crepes filled with TOFUTTI BETTER THAN CREAM CHEESE that are dairy and cholesterol free, yet taste just like real cheese blintzes. Whether as a main meal or a snack, they can be served either hot, warm or slightly chilled.

- TOFUTTI POTATO PANCAKES offer the consumer a snack or dinner side dish that combines a delicious mixture of potato and the Company's non-dairy sour cream, SOUR SUPREME.

o TOFUTTI TEDDY BEARS CHOCOLATE SYRUP and PANCAKE SYRUP offer the consumer syrups that are not only dairy and cholesterol free, but fat free as well. Both products can be used in conjunction with other Tofutti products or regular dairy products.

o TOFUTTI TOTALLY NUTS, a new homestyle roasted soy bean snack product, offers consumers a healthy yet delicious snack alternative. TOFUTTI TOTALLY NUTS are available in 6.5 oz. retail packages and are sold to the Company's natural and specialty products customers.

o EGG WATCHERS(R) is a fat-free replacement for whole eggs that has the taste, nutrition and versatility of whole eggs without the cholesterol and with 60% less calories and fat. EGG WATCHERS can be used in virtually all recipes that require whole eggs.

MARKETING AND DISTRIBUTION

TOFUTTI products are sold and distributed across the United States and internationally, and can be found in gourmet specialty shops, kosher supermarkets, natural/health food stores, and national and regional supermarket chains. Generally, most products marketed by the Company are sold by independent unaffiliated food brokers to distributors and sometimes on a direct basis to retail chain accounts. Food brokers act as agents for the Company within designated territories or for specific accounts and receive commissions, which average 5% of net sales.

During 1998, the Company had national supermarket sales of $2,390,000 or 27% of sales, as compared to $2,169,000 or 29% of sales in 1997. The Mattus Ice Cream Company distributes the Company's non-dairy frozen dessert products to supermarket accounts in the metropolitan New York area. Total sales to Mattus in the New York metropolitan area were $864,000 or 10% of sales in 1998, as compared with sales of $802,000 or 11% of sales in 1997. The Company

currently sells its frozen dessert products in most major markets in the United States, including Atlanta, Boston, Cincinnati, Cleveland, Denver, Detroit, Los Angeles, Miami, New York, Philadelphia, Phoenix, San Francisco and Seattle.

The Company distributes its products through twenty-four distributors in the national health food market. Sales to the Company's health food distributors in 1998 were $4,231,000 or 47% of sales, as compared to $3,084,000 or 41% of sales in 1997. In 1998, sales to Trader Joe's, a West Coast based health food supermarket chain, rose to $1,418,000 or 16% of sales as compared to $1,032,000 or 14% of sales in 1997. Overall, the Company's West Coast sales were $2,221,000 or 25% of sales in 1998, as compared to $1,810,000 or 24% of sales in 1997. The Company continues to have a strong presence in the kosher market, with sales of $605,000 or 7% of sales in 1998, as compared with sales of $649,000 or 9% of sales in 1997. During 1998, the Company had sales to food service accounts of $705,000 or 8% of sales, as compared with sales of $673,000 or 9% of sales in 1997.

During 1998, the Company shipped TOFUTTI non-dairy products to distributors in Australia, Belgium, Bermuda, Canada, England, France, Germany, Israel, Kuwait, Martinique, Mexico, the Netherlands, Panama, Portugal, Spain and Sweden. Sales to distributors in foreign countries totaled $1,060,000 or 12% of sales in 1998, as compared to $865,000 or 12% of sales in 1997. The increase in export sales was due primarily to an increase in sales to the Company's Israeli and Canadian distributors. The Company's future export sales could be adversely affected by an increase in the value of the U.S. dollar, which could increase the local currency price of its products.

The Company expects the favorable sales trend in the supermarket, national health food, West Coast, kosher, food service and international markets to continue in 1999.

COMPETITION

TOFUTTI frozen desserts compete with all forms of ice cream products, yogurt-based desserts and other soya-based frozen desserts. The Company believes it has the most complete line of non-dairy frozen dessert products and is a leader in this market. Other soya-based frozen dessert products are presently being sold in both soft serve and hard frozen form throughout the United States by established manufacturers and distributors of ice cream and other frozen dessert products. The ice cream and frozen dessert industry is highly competitive and most companies with whom the Company competes are substantially larger and have significantly greater resources than the Company. The Company's other products also face substantial competition, from both non-dairy and dairy competitive products marketed by companies with significantly greater resources than the Company.

RESEARCH AND DEVELOPMENT

During the last two years, David Mintz, Chief Executive Officer, and Reuben Rapoport, Director of Product Development, have devoted substantial time and effort to the development of new products and the reformulation of the Company's current products. In 1998 and 1997,

the Company's research and development expenses were $342,000 and $273,000, respectively. Such amounts do not include any portion of Mr. Mintz's salary.

PRODUCTION

All of the Company's products are manufactured by co-packers to whom the Company supplies certain key ingredients for the manufacturing processes. The Company's co-packers manufacture and package the Company's products and, in certain instances, warehouse such products pending shipment. For certain key product categories, such as non-dairy frozen dessert and non-dairy cheeses, the Company has more than one co-packer. The Company currently has seventeen co-packers, including one in the United Kingdom that manufactures the Company's non-dairy frozen dessert pints.

The Company does not have any written production agreements with its co-packers and does not anticipate that it would encounter any material difficulty in obtaining alternative production sources, at a comparable cost, if one or all of its contract manufacturers decide to terminate their relationships with the Company.

In order to protect its formulas, the Company has entered into confidentiality arrangements with its contract manufacturers and their employees. There can be no assurance that such confidentiality arrangements can or will be maintained, or that the Company's trade secrets, know-how and marketing ability cannot be obtained by others, or that others do not now possess similar or even more effective capabilities.

KOF-K Kosher Supervision ("KOF-K") of Teaneck, New Jersey provides the Company's kosher certification service. Before KOF-K will permit its certification, evidenced by its symbol, to be placed on a product, KOF-K must approve both the ingredients contained in the product and the facility processing the product. The Company believes that its ability to successfully market and distribute its products is dependent upon its continued compliance with the requirements of rabbinic certification. All TOFUTTI products meet the requirements for certification as kosher-parve.

TRADEMARKS AND PATENTS

The Company has registered its trademark, TOFUTTI(R), and other trademarks for its frozen desserts and other products in the United States and approximately thirty-seven foreign countries. The Company believes its trademarks are an important means of establishing consumer recognition for its products.

Although the Company believes that its formulas and processes are proprietary, the Company has not sought patent protection for such technology. Instead, the Company is relying on the complexity of its technology, on trade secrecy laws, and on confidentiality agreements. The Company believes that its technology has been independently developed and does not infringe the patents of others.

GOVERNMENT REGULATION

Companies engaged in the manufacture, packaging and distribution of food items are subject to extensive regulation by various government agencies which, pursuant to statutes, rules, and regulations, prescribe quality, purity, manufacturing and labeling requirements. Food products are often subject to "standard of identity" requirements which are promulgated at either the Federal or state level to determine the permissible qualitative and quantitative ingredient content of food. To the extent that any product that the Company seeks to market does not conform to an applicable standard, special permission to market such a product is required.

The Company's United States product labels are subject to regulation by the United States Food and Drug Administration ("FDA"). Such regulations include standards for product descriptions, nutritional claims, label format, minimum type sizes, content and location of nutritional information panels, nutritional comparisons, and ingredient content panels. The Company's labels, ingredients and manufacturing processes are subject to inspection by the FDA. In 1994, federal laws relating to food product labeling were amended to require food product companies to make numerous changes in their product labeling. The Company believes that it is in compliance with current labeling requirements.

The Food, Drug and Cosmetic Act and rules and regulations promulgated by the FDA thereunder, contain no specific Federal standard of identity which is applicable to TOFUTTI. TOFUTTI frozen dessert products meet the New York State standard of identity for "parevine," which has been adopted by at least eight other states. Many states require registration and label review before food products can be sold. While approval in one jurisdiction generally indicates the products will meet with approval in other jurisdictions, there is no assurance that approval from other jurisdictions will be forthcoming.

Food manufacturing facilities are subject to inspections by various regulatory authorities. A finding of a failure to comply with one or more regulatory requirements can result in the imposition of sanctions including the closing of all or a portion of a company's facilities, subject to a period during which the company can remedy the alleged violations. The Company's Cranford, New Jersey facility is subject to inspection by the New Jersey-Kosher Enforcement Bureau and Environmental Health Services. The Company believes it and its distributors and co-packers are in compliance in all material respects with governmental regulations regarding its current products and has obtained the material governmental permits, licenses, qualifications and approvals required for its operations. The Company's compliance with Federal, state and local environmental laws has not materially affected it either economically or in the manner in which it conducts its business. However, there can be no assurance that the Company, its distributors and co-packers will be able to comply with such laws and regulations in the future or that new governmental laws and regulations will not be introduced that could prevent or temporarily inhibit the development, distribution and sale of the Company's products to consumers.

EMPLOYEES

On December 26, 1998 the Company employed nine persons on a full-time basis, compared with eight persons as of December 27, 1997. The Company considers its relations with its employees to be good.

Item 2. Description of Properties

The Company's facilities are located in a modern one-story facility in Cranford, New Jersey. The 6,200 square foot facility houses the Company's administrative offices, a warehouse, walk-in freezer and refrigerator, and a product development laboratory and test kitchen. On January 3, 1994, the Company signed a five-year lease extension which expires July 1, 1999. The Company's annual rental under its lease was $74,000 in 1998. The Company is currently in negotiations to extend the lease beyond its current expiration date and is reasonably certain that such lease extension will be granted. Management believes that the Cranford facility will continue to satisfy the Company's space requirements for the foreseeable future.

Item 3. Legal Proceedings

The Company is not a party to any material litigation.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock has traded on the American Stock Exchange under the symbol TOF since October 29, 1985. The following table sets forth the high and low sales prices as reported on the American Stock Exchange for the two most recent fiscal years:

Quarter Ended	High	Low
March 29, 1997........................	$ 7/8	$ 9/16
June 28, 1997.........................	1-3/16	9/16
September 27, 1997....................	2-7/8	3/4
December 27, 1997.....................	2-3/16	1-1/8
March 29, 1998........................	1-9/16	15/16

Quarter Ended	High	Low
June 27, 1998.........................	2	1-1/4
September 26, 1998....................	1-7/16	7/8
December 26, 1998.....................	1-5/16	7/8

As of March 10, 1999, there were approximately 1,042 holders of record of the Company's Common Stock. The Company has not paid and has no present intention of paying cash dividends on its Common Stock in the foreseeable future.

Item 6. 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 the Company's financial position and operating results during the periods included in the accompanying financial statements.

The discussion and analysis which follows in this Annual Report and in other reports and documents of the Company and oral statements made on behalf of the Company by its 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 the Company's current views with respect to future events and financial results. These include statements regarding the Company's earnings, projected growth and forecasts, and similar matters which are not historical facts. The Company reminds 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 and growth in the food industry and general economies, 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. In addition, difficulties in completing remediation of the year 2000 issues by the Company, its customers or suppliers may have a material adverse affect on the Company and its operations. The forward-looking statements contained in this Annual Report and made elsewhere by or on behalf of the Company should be considered in light of these factors.

Fifty-two Weeks Ended December 26, 1998 Compared with Fifty-two Weeks Ended December 22, 1997

Net sales for the fifty-two weeks ended December 26, 1998 were $8,991,000, an increase of $1,551,000 or 21% from the sales level realized for the fifty-two weeks ended December 27, 1997. In the 1998 period, non-dairy frozen dessert product sales and food product sales increased by $1,013,000 and $538,000, respectively, from the 1997 period. The increase in non-dairy

frozen dessert sales was attributable to an increase in sales of all categories of frozen dessert products, while the increase in food product sales was mostly attributable to an increase in sales of BETTER THAN CREAM CHEESE and SOUR SUPREME. The Company's gross profit in 1998 increased by $472,000 or 17% due primarily to the sales increase, while its gross profit percentage decreased slightly from 36% in 1997 to 35% in 1998. The Company's gross profit percentage in 1998 was adversely affected by the start-up manufacturing costs associated with the Company's new products and the increased cost of allowances associated with the introduction of those new products. The Company anticipates that while its gross profit will increase due to increased sales in 1999, its gross profit percentage will not improve due to manufacturing start-up costs associated with the planned introduction of new products in 1999.

Based on its recent sales trends, the Company expects continued sales increases in its frozen dessert and food product lines and in most customer categories.

Selling expenses increased 26% to $1,268,000 for the current fiscal period from $1,003,000 for the comparable 1997 period. The primary cause of the increase was increased warehouse, freight and commission expenses. The increase in warehouse expense is attributable to an increase in inventory to support the Company's increased level of operations. The increased freight and commission expenses are attributable to the increase in sales. Marketing and sales promotion expenses increased 9% in 1998 to $188,000 from $172,000 in 1997. This increase was due principally to artwork and plate expenses associates with new package design for the Company's new products, which was partially offset by a reduction in the Company's trade magazine and newspaper advertising.

Research and development expenses increased to $342,000 in 1998 as compared to $273,000 in 1997. This increase was due to the hiring of two employees and additional research and development expenses associated with the Company's new products. These additional expenses consist mainly of start-up costs incurred at new co-packing facilities, including additional Kosher supervision costs. Management expects that research and development costs will continue at the same level for 1999. General and administrative expenses were $853,000 for the 1998 period as compared with $794,000 for the comparable period in 1997. The $59,000 increase was due in part to increased salary and public relation expenses.

Interest expense was $7,000 for the fifty-two week periods ended December 26, 1998 and December 27, 1997.

As a result of reductions in the valuation allowance on deferred tax assets, the Company recorded income tax benefits of $45,000 and $83,000 in 1998 and 1997, respectively.

Income Taxes

The Company's tax year ends on July 31st, its former fiscal year. Due to the timing difference between the end of the fiscal and tax year, the Company, on its quarterly and year end reports, must make estimates as to its state and federal tax liabilities.

Beginning in 1999, to the extent the Company generates future income for financial reporting purposes, the Company will be required to provide federal and state tax expense.

Although the Company will begin paying state income taxes in 1999, the Company will not be required to pay federal income tax until such time as it utilizes its remaining federal net operating loss carryforwards and tax credits.

Liquidity and Capital Resources

At December 26, 1998, the Company's working capital was $1,990,000, an increase of $512,000 from December 27, 1997. At December 26, 1998, accounts receivable increased by $66,000 from December 27, 1997, principally reflecting the increase in sales. At December 26, 1998, inventories increased by $72,000 from December 27, 1997, reflecting the additional inventory for the Company's new products. Prepaid expenses increased by $6,000 to $13,000 at December 26, 1998 from December 27, 1997 due to a prepaid 1999 New Jersey income tax payment. Deferred tax assets increased $65,000 at December 26, 1998 compared to December 27, 1997 primarily as a result of a reduction in the valuation allowance. At December 26, 1998, accounts payable decreased slightly to $85,000 from $94,000, while accrued expenses increased to $240,000 from $194,000 in 1997. The increase in income taxes payable of $5,000 to $19,000 at December 26, 1998 represents an additional provision for state income taxes.

The Company does not have any material capital commitments and contemplates no material capital expenditures in the foreseeable future. Although the Company has operated on a profitable basis in recent years, it has not had sufficient funds to fully implement the marketing of its new products. Despite this lack of financing, the Company has succeeded in increasing the sales of its products and introducing new products. The Company believes it will be able to fund its operations during 1999 from its current resources; however, any substantial increase in its operations may require additional working capital. Although the Company has had discussions and intends to have future ones with interested parties concerning additional financing for the Company, no assurance can be given that such working capital will be available, if required.

Bad Debt Write-off

During 1998, the Company wrote off against its allowance for doubtful accounts $473,000 of accounts receivable it deemed to be uncollectible. This amount represented balances owed by some of the Company's foreign customers, which had been reserved for in prior years.

Inflation and Seasonality

The Company does not believe that its operating results have been materially affected by inflation during the preceding two years. The can be no assurance, however, that the Company's operating results will not be affected by inflation in the future. The Company's business is not subject to substantial seasonal variations.

The Year 2000 Issue

The Company has completed a comprehensive review of its computer systems to identify the systems that could be affected by the Year 2000 ("Y2K") issue. Substantially all of the Company's manufacturing is performed by third-party co-packers, and the Company's financial systems are PC-based purchased software. The Company is in the process of replacing its

existing financial systems with Y2K compliant software and expects the conversion to be completed by June 1999. Consequently, management presently believes that due to the lack of date sensitive computer systems and applications currently in use, the Y2K issue will not pose significant operational problems for the Company's computer systems. Therefore, the Company to date has not nor does it expect to develop any contingency plans relating to the Y2K issue. Costs of addressing the Y2K issue have not been material to date and, based on information gathered to date from the Company and its vendors, are not currently expected to have a material adverse impact on the Company's financial position, results of operations or cash flows.

In addition, the Company has contacted its major suppliers and vendors seeking information about their internal compliance efforts. Upon review, the Company believes that most of its major suppliers and co-packers will be Y2K compliant and any non-compliance by its suppliers and co-packers will not have a significant adverse effect upon the Company's operations.

The Company is in the process of developing business contingency plans to mitigate the risk of a potential non-compliant vendor or system. The Company will continue to assess its exposure to Y2K problems or possible disruptions. Based upon the information it has developed to date, management believes that no disruptions will occur in the Company's operations. However, the Company is subject to risks should the Company or a third party vendor or service provider be unable to resolve issues related to the Y2K.

Other Matters

In June 1997, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosure about

Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 establishes standards for the way public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in financial reports issued to shareholders. It also establishes standards for disclosures about products and services, geographic areas and major customers. SFAS 131 is effective for financial statements for fiscal years beginning after December 15, 1997. Financial statement disclosures for prior periods are required to be restated. The adoption of SFAS 131 has had no impact on the Company's results of operations, financial position or cash flows. The Company operates in one business segment, the development, production and marketing of TOFUTTI brand non-dairy frozen desserts and other food products. Management does not receive, nor does the Company generate, discrete financial operating results for any portion of the business other than for product sales.

Item 7. Financial Statements

Index to Financial Statements

Independent Auditors' Report

The Board of Directors and Stockholders
Tofutti Brands Inc.:

We have audited the accompanying balance sheets of Tofutti Brands Inc. as of December 26, 1998 and December 27, 1997, and the related statements of operations and accumulated deficit, and cash flows for the fifty-two week periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tofutti Brands Inc. as of December 26, 1998 and December 27, 1997 and the results of its operations and its cash flows for the fifty-two week periods then ended, in conformity with generally accepted accounting principles.

/s/KPMG LLP

Short Hills, New Jersey
March 16, 1999

TOFUTTI BRANDS INC.
BALANCE SHEETS
(000's omitted except for share and per share data)

<TABLE>
<CAPTION>

	December 26, 1998	December 27, 1997
Assets		
Current assets:		
Cash	$ 407	$ 54
Accounts receivable, net of allowance for doubtful accounts of $120 in 1998 and $458 in 1997 (Note 2)	985	919
Inventories (Note 3)	613	541
Prepaid expense	13	7
Deferred Income Taxes	335	276
Total current assets	2,353	1,797
Fixed assets, net (Note 4)	--	--
Deferred income taxes (Note 9)	180	174
Other assets (Note 5)	119	97
Total assets	$ 2,652	$2,068
Liabilities and Stockholders' Equity		
Current liabilities:		
Note payable - current portion	$ 19	$ 17
Accounts payable	85	94
Accrued expenses (Note 6)	240	194
Income taxes payable	19	14
Total current liabilities	363	319
Note payable	29	49
Total liabilities	392	368
Stockholders' equity (Note 7):		
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 6,183,567 shares at December 26, 1998 and December 27, 1997	62	62
Paid-in capital	3,631	3,631
Accumulated deficit	(1,433)	(1,993)
Total stockholders' equity	2,260	1,700

Commitments and contingencies (Note 8)

Total liabilities and stockholders' equity	$ 2,652	$2,068
	=======	======

</TABLE>

See accompanying notes to financial statements.

TOFUTTI BRANDS INC.
STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT
(000's omitted except for per share data)

<TABLE>
<CAPTION>

<S>	Fifty-two weeks ended December 26, 1998 <C>	Fifty-two weeks ended December 27, 1997 <C>
Net sales	$ 8,991	$ 7,440
Cost of sales	5,818	4,739
	-----	------
Gross profit	3,173	2,701
Operating expenses:		
Selling	1,268	1,003
Marketing and sales promotion	188	172
Research and development	342	273
General and administrative	853	794
	---	-----
	2,651	2,242
	-----	-----
Operating income	522	459
Interest expense	7	7
	-----	-----
Income before income tax benefit	515	452
Income tax benefit (Note 9)	45	83
	-----	-----
Net income	560	535
Accumulated deficit, beginning of year	(1,993)	(2,528)
	------	------
Accumulated deficit, end of year	$(1,433)	$(1,993)
	=======	=======
Net income per share:		
Basic	$.09	$ .09
Diluted	.08	.08
	====	===

</TABLE>

See accompanying notes to financial statements.

TOFUTTI BRANDS INC.
STATEMENTS OF CASH FLOWS
(000's omitted)

<TABLE>
<CAPTION>

<S>	Fifty-two weeks ended December 26, 1998 <C>	Fifty-two weeks ended December 27, 1997 <C>
Cash flows from operating activities:		
Net income	$ 560	$ 535
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Deferred taxes	(65)	(139)
Provision for bad debts	135	163
Change in assets and liabilities:		
Increase in accounts receivable	(201)	(105)
Increase in inventories	(72)	(190)
(Increase) decrease in prepaid expense	(6)	3
Decrease in accounts payable	(9)	(410)
Increase in accrued expenses	46	79
Increase in income taxes payable	5	14
Net cash provided by (used in) operating activities	393	(50)
Cash flows from financing activities:		
Repayment of note payable	(18)	(15)
Increase in other assets	(22)	(21)
Issuance of common stock	--	129
Net cash (used in) provided by financing activities	(40)	93
Net increase in cash	353	43
Cash at beginning of period	54	11
Cash at end of period	$ 407	$ 54
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 7	$ 7
Income taxes	15	1

</TABLE>

See accompanying notes to financial statements.

TOFUTTI BRANDS INC.
NOTES TO FINANCIAL STATEMENTS
(000's omitted except for share and per share data)

(1) Summary of Significant Accounting Policies

Description of Business

Tofutti Brands Inc. ("Tofutti" or the "Company") is engaged in one business segment, the development, production and marketing of non-dairy frozen desserts and other food products.

Revenue Recognition

The Company recognizes revenue when goods are shipped from its production facilities or outside warehouses.

Common Stock

Effective December 31, 1997, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128 "Earnings per Share", which requires a dual presentation of earnings per share - basic and diluted. Basic earnings per common share has been computed by dividing net income by the weighted average number of common shares outstanding of 6,184,000 in 1998 and 6,086,000 in 1997. Diluted earnings per share has been computed by dividing net income by the weighted average number of common shares outstanding, including the dilutive effects of stock options, of 6,610,000 in 1998 and 6,404,000 in 1997.

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price at the date of the grant over the amount an employee must pay to acquire the stock. Because the Company grants options at a price equal to the market price of the stock at the date of grant, no compensation expense is recorded. As required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), the Company discloses pro forma net income and earnings per share as if the fair value method had been applied (see Note 7).

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Fixed Assets

Fixed assets are carried at cost. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period.

The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

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 and operating loss and tax credit carry forwards. 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.

Fair Value of Financial Instruments

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties.

Cash, accounts receivable, accounts payable, accrued expenses, income taxes payable and note payable as of December 26, 1998 and December 27, 1997 are stated at their carrying values. The carrying amounts approximate fair value because of the short-term maturity of those instruments or because the interest rates approximate market rates of interest.

Risks and Uncertainties

The Company performs ongoing credit evaluations of its customers' financial conditions and, generally, requires no collateral from its customers.

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

Reclassifications

Certain reclassifications of the 1997 financial statements have been made to conform to the 1998 presentation.

TOFUTTI BRANDS INC.
NOTES TO FINANCIAL STATEMENTS
(000's omitted except for share and per share data)

(2) Accounts Receivable

Activity in the allowance for doubtful accounts is set forth below:

	Fifty-two weeks ended December 26, 1998	Fifty-two weeks ended December 27, 1997
Beginning balance	$ 458	$ 295
Additions charged to expense	135	163
Less: Write offs	473	--
	$ 120	$ 458

(3) Inventories

Inventories consist of the following:

	December 26, 1998	December 27, 1997
Finished products	$382	$342
Raw materials and packaging	231	199
	$613	$541

(4) Fixed Assets

Fixed assets consist of the following:

	December 26, 1998	December 27, 1997	Useful Lives
Machinery and equipment	$ 30	$ 30	5 yr
Leasehold improvements	29	29	5 yr
	59	59	
Less accumulated depreciation	59	59	
	$ --	$ --	

TOFUTTI BRANDS INC.
NOTES TO FINANCIAL STATEMENTS
(000's omitted except for share and per share data)

(5) Other Assets

On October 17, 1994, the Company's Board of Directors adopted a resolution wherein the Corporation was authorized to purchase a $1,000 split dollar insurance plan on the life of a member of David Mintz's family. Mr. Mintz is Chairman and President of the Company. The purpose of this transaction is to provide the Mintz estate with funds sufficient to pay any estate taxes levied upon the transfer of Mr. Mintz's Tofutti stock, which would otherwise have necessitated a sale of the stock. The sale of such stock might have the negative effect of significantly decreasing the market price of the stock to the detriment of other shareholders. Upon the death of the family member or termination of the policy prior to death, the Company is to receive a complete refund of all its premiums paid plus interest at 4%.

(000's omitted except for share and per share data)

(6) Accrued Expenses

Accrued expenses consist of the following:

	December 26, 1998	December 27, 1997
Professional fees	$ 30	$ 31
Selling	147	130
Inventory purchases	52	30
Other	11	3
Total	$ 240	$ 194

(7) Stock Options

The 1993 Stock Option Plan (the "1993 Plan") provides for the granting to key employees of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and for the granting of non-qualified to key employees and consultants. The 1993 Plan is currently administered by the Board of Directors, which determines the terms and conditions of the options granted under the 1993 Plan, including the exercise price, number of shares subject to the option and the exercisability thereof. Options are generally exercisable in cumulative installments of 33-1/3% or 50% per year commencing one year after the date of grant and annually thereafter, with contract lives of generally five years from the date of grant. A total of 2,900,000 shares have been reserved for issuance under the 1993 Plan. At December 26, 1998, 1,214,000 shares were subject to outstanding options and 1,506,000 additional shares were available for future grant.

The following is a summary of stock option activity from December 28, 1996 to December 26, 1998:

<TABLE>
<CAPTION>

	INCENTIVE OPTIONS		NON-QUALIFIED OPTIONS	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>
Outstanding and exercisable at December 28, 1996	83,000	$.681	55,000	$.625
Granted in 1997	1,118,000	.765	102,000	.790
Exercised in 1997	(75,000)	.6875	(55,000)	.625
Canceled in 1997	(8,000)	.625	--	--
Outstanding at December 27, 1997	1,118,000	.765	102,000	.790
Canceled in 1998	(6,000)	.6875	--	--
Outstanding at December 26, 1998	1,112,000	.766	102,000	.790

(000's omitted except for share and per share data)

Exercisable at December 26, 1998	404,000	.764	41,000	.790
	=======		======	
Exercisable at December 27, 1997	--	--	--	--

</TABLE>

The Company did not grant any stock options during 1998. The weighted average fair value of both the incentive and non-qualified options granted during 1997 was $.39. The fair market value of each stock option granted during 1997 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected life of 4.0 years; expected volatility of 62.0%; expected dividend yield of 0%; and a risk free interest rate of 5.5%

The following table summarizes information about the stock options outstanding at December 26, 1998:

<TABLE>
<CAPTION>

OPTIONS OUTSTANDING

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (in years)	Weighted Average Exercise Price
<S>	<C>	<C>	<C>
$.6875--$1.031	1,214,000	3.3	$.768

</TABLE>

Set forth below are the Company's net income and net income per share, presented both "as reported" and "pro forma," as if compensation cost had been determined consistent with the fair value provisions of SFAS 123:

	1998	1997
Net income available for common stockholders:		
As reported	$560	$535
Pro forma	390	392
Basic earnings per share:		
As reported	.09	.09
Pro forma	.06	.06
Diluted earnings per share:		
As reported	.08	.08
Pro forma	.06	.06

(8) Commitments and Contingencies

The Company leases a warehouse and administrative facility in Cranford, New Jersey under an operating lease expiring on July 1, 1999. The Company is currently in negotiations to extend the lease beyond its current expiration date and management believes that such lease extension, which will not exceed five years, will be consummated. The Company's annual rental under its existing lease was $74, with $37 being due for the period January through June 1999. Management does not expect its future rental expense to be materially different after the expected consummation of the aforementioned extension.

Annual net rental expenses aggregated $74 and $68 respectively for each of the fifty-two week periods ended December 26, 1998 and December 27, 1997.

In the normal course of business, the Company from time to time may be a party to various litigation, claims or assessments. Management believes that the ultimate outcome of these matters will not have a material affect on the Company's financial position or results of operations.

(000's omitted except for share and per share data)

(9) Income Taxes

The components of income tax expense (benefit) for the fifty-two week periods ended December 26, 1998 and December 27, 1997 are as follows:

	1998	1997
Current:		
Federal	$ --	$ --
State	20	56
	20	56
Deferred:		
Federal	(50)	(124)
State	(15)	(15)
	(65)	139
Total income tax benefit	$(45)	$(83)

Deferred tax assets at December 26, 1998 and December 27, 1997 are as follows:

	1998	1997
Allowance for doubtful accounts	$ 48	$183
Inventories	12	12
Note payable	20	26
Other accruals	64	53
Loss carry forwards and tax credits	371	435
Gross deferred tax assets	515	709
Valuation allowance	--	259
Net deferred tax assets	$515	$450

Based upon the level of projected future taxable income over the periods in which the net operating loss carry forwards and tax credits are deductible, management believes it is more likely than not the Company will realize its net deferred tax assets at December 26, 1998. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The Company has net operating loss carry forwards of approximately $1,004, which will expire in 2005. The Company also has unused tax credits of approximately $30.

A reconciliation between the expected federal tax expense at the statutory tax rate of 34% and the Company's actual tax benefit for the fifty-two week periods ended December 26, 1998 and December 27, 1997 is as follows:

	1998	1997
Expected tax expense	$ 175	$ 154
Non-deductible expenses	7	8
State income taxes, net of federal income tax benefit	31	27
Change in valuation allowance	(259)	(236)
Other	1	(36)
Income tax benefit	$ (45)	$ (83)

(10) Business Concentrations

During the fifty-two week periods ended December 26, 1998 and December 27, 1997, the Company derived approximately 88% of its net sales domestically. The remaining sales in both periods were exports to various other countries. During 1998 and 1997, the Company had sales to two individual customers representing 16% and 10%, and 14% and 11%, respectively, of net sales.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 9. Directors and Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

The Directors and Executive Officers of the Company are:

Name	Age	Position
David Mintz................	67	Chairman of the Board of Directors, Chief Executive Officer
Steven Kass................	47	Chief Financial Officer, Secretary and Treasurer
Reuben Rapoport............	68	Director of Product Development and Director
Franklyn Snitow............	52	Director
Bernard Koster.............	64	Director

David Mintz has been Chairman of the Board and Chief Executive Officer of the Company and its predecessor since August 1981.

Steven Kass has been Chief Financial Officer of the Company since November 1986 and the Secretary and Treasurer since January 1987.

Reuben Rapoport has been the Director of Product Development of the Company since January 1984 and a Director of the Company since July 1983.

Franklyn Snitow has been a Director of the Company since 1987. He has been a partner in the New York City law firm of Snitow & Cunningham (the successor to Snitow & Pauley), the Company's general counsel, since 1985.

Bernard Koster has been a Director of the Company since March 1993. Since February 1990, Mr. Koster has acted as an independent business consultant. He has also been counsel to the New Jersey law firm of Litwin and Holsinger since March 1993.

All Directors of the Company hold office until the next Annual Meeting of Stockholders and until their successors have been elected and qualified. Officers serve at the pleasure of the

Board of Directors. There are no family relationships between Directors and executive officers of the Company. All of the executive officers devote their full time to the operations of the Company.

Compliance with Section 16(a) of The Exchange Act. Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's officers and directors, and persons who own more than ten-percent of its Common Stock, to file initial statements of beneficial ownership (Form 3), and statements of changes in beneficial ownership (Forms 4 or 5), of Common Stock and other equity securities of the Company with the Securities and Exchange Commission (the "SEC") and the American Stock Exchange. Officers, directors and greater than ten-percent stockholders are required by SEC regulation to furnish the Company with copies of all such forms they file.

To the Company's knowledge, based solely on its review of the copies of such forms received by it, or written representations from certain reporting persons that no additional forms were required for those persons, the Company believes that during fiscal 1998 all persons subject to these reporting requirements filed the required reports on a timely basis.

Item 10. Executive Compensation

The following table sets forth information concerning the total compensation during the last three fiscal years for the Company's executive officers whose total salary in fiscal 1998 totaled $100,000 or more:

SUMMARY COMPENSATION TABLE

		Annual Compensation	Long-Term Compensation
Name and Principal Position	Year	Salary ($)	Securities Underlying Options (#)
David Mintz	1998	$225,000(1)	--
Chief Executive Officer	1997	180,000(2)	480,000
and Chairman of the Board	1996	155,000(3)	--
Steven Kass	1998	145,000(1)	--
Chief Financial Officer	1997	117,500(2)	430,000
Secretary and Treasurer	1996	100,000(3)	--

----

(1) Includes bonuses of $50,000 and $35,000 for Messrs. Mintz and Kass, respectively, accrued at year-end and payable April 1, 1999.

(2) Includes bonuses of $30,000 and $20,000 for Messrs. Mintz and Kass, respectively, accrued at year-end and payable April 1, 1998.

(3) Includes bonuses of $30,000 and $15,000 for Messrs. Mintz and Kass, respectively, accrued at year-end and payable April 1, 1997.

The aggregate value of all other perquisites and other personal benefits furnished in each of the last three years to each of these executive officers was less than 10% of each officer's salary for such year.

On October 17, 1994, the Company's Board of Directors adopted a resolution wherein the Corporation was authorized to purchase a $1,000,000 split dollar insurance plan on the life of a member of David Mintz's family. Mr. Mintz is Chairman and Chief Executive Officer of the Company. The purpose of this transaction is to provide the Mintz estate with funds sufficient to pay any estate taxes levied upon the transfer of Mr. Mintz's Tofutti stock, which would have otherwise necessitated a sale of the stock. The sale of such stock might have a negative effect of significantly decreasing the market price of the stock to the detriment of other shareholders. Upon the death of the family member or termination of the policy prior to death, the Company is to receive a complete refund of all its premiums paid plus interest at 4%.

There are currently no employment agreements between the Company and any of its officers. Neither Mr. Snitow nor Mr. Koster has received any cash remuneration from the Company for his service as a Director in the last three years.

STOCK OPTIONS

The following table provides information concerning the grants and exercising of stock options during the Company's last fiscal year to each of the officers named above in the Summary Compensation Table.

OPTIONS GRANTED IN LAST FISCAL YEAR

Name	Number of Shares Underlying Options Granted (#)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/SH)	Expiration Date
David Mintz, Chief Executive Officer and Chairman of the Board	--	--	$ --	--
Steven Kass, Chief Financial Officer, Secretary and Treasurer	--	--	--	--

The following table provides information concerning stock options held in 1998 by each of the executive officers named above in the Summary Compensation Table.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Shares Underlying Unexercised Options at FY-End (#) Exercisable/Unexercisable	Value of Unexercised in the Money Options at FY-End ($) Exercisable/Unexercisable
David Mintz, Chief Executive Officer and Chairman of the Board	--	$ --	174,000 (E) 306,000(U)	$32,696 (E)(1) 64,904 (U)(1)
Steven Kass, Chief Financial Officer, Secretary and Treasurer	--	--	155,000(E) 275,000(U)	39,687 (E)(1) 77,187 (U)(1)

(E) Exercisable options
(U) Unexercisable options
(1) Calculated by subtracting option exercise price from year-end market price.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth as of March 10, 1999, certain information regarding the Company's Common Stock, $.01 par value, for each person known by the Company to be the beneficial owner of more than 5% of the outstanding shares of the Company's Common Stock, for each executive officer named in the Summary Compensation Table, for each of the Company's Directors and for the executive officers and directors of the Company as a group:

Name	Amount of Beneficial Ownership	Percent of Class
David Mintz......................	3,454,440 (1)	49.7%
Steven Kass......................	275,000 (2)	4.0%
Reuben Rapoport..................	85,000 (3)	*
Franklyn Snitow..................	50,000 (4)	*
Bernard Koster...................	25,000 (5)	*
All Executive Officers and Directors as a group (5 persons)..	3,889,440 (6)	55.9%

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The address of all individuals except Messrs. Koster and Snitow is c/o Tofutti Brands Inc., 50 Jackson Drive, Cranford, New Jersey 07016. The address of Mr. Snitow is 575 Lexington Avenue, New York, New York 10017 and the address of Mr. Koster is 7 Old Smith Road, Tenafly, New Jersey 07670. Each person listed above has sole voting and/or investment power of the shares attributed to him.

* Less than 1%.

(1) Includes 307,000 shares issuable upon the exercise of currently exercisable stock options.

(2) Issuable upon the exercise of currently 275,000 exercisable stock options.

(3) Includes 65,000 shares issuable upon the exercise of currently exercisable stock options.

(4) Includes 30,000 shares issuable upon the exercise of currently exercisable stock options.

(5) Issuable upon the exercise of 25,000 currently exercisable stock options.

(6) Includes 702,000 shares issuable upon the exercise of currently exercisable stock options.

Item 12. Certain Relationships and Related Transactions

NONE

Item 13. Exhibits and Reports on Form 8-K

(a) Exhibits

3.1* Certificate of Incorporation.

3.1.1** March 1986 Amendment to Certificate of Incorporation.

3.2* By-laws of Registrant.

4.1*** Copy of the Registrant's Amended 1993 Stock Option Plan.

23.1 Consent of Independent Auditors.

27 Financial Data Schedule.

____

* Filed as an exhibit to the Registrant's Form 10-K for the fiscal year ended July 31, 1985 and hereby incorporated by reference thereto.

** Filed as an exhibit to the Registrant's Form 10-K for the fiscal year ended August 2, 1986 and hereby incorporated by reference thereto.

*** Filed as an exhibit to the Registrant's Form S-8 (Registration No. 333-48605) filed March 25, 1998 and hereby incorporated by reference thereto.

(b) Reports on Form 8-K filed during the last quarter of the period covered by this report:

None.

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 on March 25, 1999.

TOFUTTI BRANDS INC.
(Registrant)

/s/David Mintz

David Mintz
Chairman of the Board and
Chief Executive Officer

In accordance with the Securities Exchange Act of 1934, this Report has been signed below on March 25, 1999, by the following persons on behalf of the Registrant and in the capacities indicated.

/s/David Mintz

David Mintz
Chairman of the Board
and Chief Executive Officer

/s/Steven Kass

Steven Kass
Secretary, Treasurer and
Chief Financial Officer

/s/Bernard Koster

Bernard Koster
Director

/s/Reuben Rapoport

Reuben Rapoport
Director

/s/Franklyn Snitow

Franklyn Snitow
Director

EXHIBIT INDEX

Exhibit Page

3.1*	Certificate of Incorporation, as amended through February 1986.
3.1.1**	March 1986 Amendment to Certificate of Incorporation.
3.2*	By-laws of the Registrant.
4.1***	Copy of the Registrant's Amended 1993 Stock Option Plan.
23.1	Consent of Independent Auditors.
27	Financial Data Schedule

* Filed as an exhibit to the Registrant's Form 10-K for the fiscal year ended July 31, 1985 and hereby incorporated by reference thereto.

** Filed as an exhibit to the Registrant's Form 10-K for the fiscal year ended August 2, 1986 and hereby incorporated by reference thereto.

*** Filed as an exhibit to the Registrant's Form S-8 (Registration No. 333-48605) filed March 25, 1998 and hereby incorporated by reference thereto.

EXHIBIT 23.1

Exhibit 23.1

Consent of Independent Auditors

The Board of Directors
Tofutti Brands Inc.:

We consent to the incorporation by reference in the Registration Statements (Nos. 33-72654 and 333-48605) on Form S-8 of Tofutti Brands Inc. of our report dated March 16, 1999, relating to the balance sheets of Tofutti Brands Inc. as of December 26, 1998 and December 27, 1997 and the related statements of operations and accumulated deficit, and cash flows for the fifty-two week periods then ended, which report appears in the December 26, 1998 annual report on Form 10-KSB of Tofutti Brands Inc.

/s/KPMG LLP
KPMG LLP

Short Hills, New Jersey
March 26, 1999

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM TOFUTTI BRANDS INC.'S ANNUAL REPORT ON FORM 10-KSB FOR THE YEAR ENDED DECEMBER 26, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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