Giggles N' Hugs, Inc.
Form 10-Q
May 13, 2015

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 March 29, 2015

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission files number 000-53948

GIGGLES N HUGS, INC.

(Exact name of registrant as specified in its charter)

Nevada	**20-1681362**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10250 Santa Monica, #155, Los Angeles, CA	**90067**
(Address of principal executive offices)	(Zip Code)

(310) 553-4847

(Registrant’s telephone number, including area code)

Copies of Communications to:

Richardson & Patel, LLP

1100 Glendon Avenue

Suite 850

Los Angeles, CA 90024

(310) 208-1182

Fax (310) 208-1154

Indicate by check mark whether the issuer (1) 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, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting 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]

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

Yes [ ] No [X]

The number of shares of Common Stock, $0.001 par value, outstanding on May 6, 2015 was 35,982,580 shares.

GIGGLES N' HUGS, INC.

THIRTEEN WEEKS ENDED MARCH 29, 2015

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

GIGGLES N' HUGS, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 29, 2015	December 28, 2014
Assets		
Current assets:		
Cash and equivalents	$ 117,841	$ 108,236
Inventory	39,908	37,397
Prepaid stock-based compensation	103,333	13,222
Prepaid expenses, other	7,606	9,810
Total current assets	268,688	168,665
Fixed assets:		
Total fixed assets, net	2,349,669	2,437,730
Other assets:		
Security deposits, other	43,980	41,980
Intangible asset, net	22,645	23,881
Total other assets	66,625	65,861
Total assets	$ 2,684,982	$ 2,672,256
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 447,313	$ 432,508
Incentive from lessor — current portion	116,001	111,644
Note Payable from lessor - current portion	116,810	91,500
Accrued expenses	386,627	330,498
Deferred revenue	44,623	43,437
Total current liabilities	1,111,374	1,009,587
Long-term liabilities:		

Incentive from lessor — long-term	1,173,356	1,204,199
Note payable - lessor	571,795	609,150
Total long-term liabilities	1,745,151	1,813,349
Total liabilities	2,856,525	2,822,936
Stockholders' deficit:		
Common stock, $0.001 par value, 1,125,000,000 shares authorized, 35,762,580 and 33,563,830 shares issued and outstanding as of March 29, 2015 and December 28, 2014, respectively	35,762	33,563
Common stock payable (766,666 and 1,887,148 shares as of March 29, 2015 and December 28, 2014, respectively)	255,452	668,114
Additional paid-in capital	7,009,521	6,301,241
Accumulated deficit	(7,472,278)	(7,153,598)
Total stockholders' deficit	(171,543)	(150,680)
Total liabilities and stockholders' deficit	$ 2,684,982	$ 2,672,256

See Accompanying Notes to Consolidated Financial Statements.

GIGGLES N' HUGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Thirteen Weeks Ended March 29, 2015	**Three Months Ended March 30, 2014**
Revenue		
Net sales	$918,228	822,050
Costs and operating expenses		
Cost of sales including food and beverage	214,316	214,083
Labor	332,071	319,518
Occupancy cost	218,985	234,670
Depreciation and amortization	90,618	84,186
Total operating expenses	855,990	852,457
Other expenses		
Executive compensation	100,577	102,500
Employee stock-based compensation	13,500	-
Non-employee stock-based compensation	58,000	22,688
Professional and consulting expenses	75,267	239,374
General and administrative expenses	98,322	79,336
Finance and interest expense	16,953	34,890
Loss (gain) on stock issuance for payable settlement	18,297	(2,133)
Total costs and operating expenses	1,236,906	1,329,112
Loss before provision for income taxes	$ (318,680)	$(507,062)
Provision for income taxes	$-	$(800)
Net loss	$(318,680)	$(506,262)
Net loss per share - basic	$(0.01)	$(0.02)
Weighted average number of common shares outstanding - basic	34,786,204	24,404,877

See Accompanying Notes to Consolidated Financial Statements.

GIGGLES N' HUGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Thirteen Weeks ended March 29, 2015	Three Months Ended March 30, 2014
Cash flows from operating activities		
Net loss	$(318,680)	$(506,262)
Adjustments to reconcile net loss to net cash provided by used in operating activities:		
Depreciation and amortization	90,618	84,186
Amortization of debt discount	-	6,880
Stock-based compensation	52,289	22,688
Loss (gain) on stock issuance for payable settlement	18,297	(2,133)
Warrants expenses	19,211	41,148
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses and deposits	2,204	(2,140)
Increase in security deposits, other	(2,000)	(4,118)
(Increase) decrease in inventory	(2,511)	2,506
(Increase) in unamortized fees	-	(38,788)
Increase (decrease) in accounts payable	34,898	(10,152)
Decrease in lease incentive liability	(26,486)	(19,330)
Increase in accrued expenses	56,129	189,191
(Decrease) increase in accrued interest	(10,846)	7,757
Increase in deferred revenue	1,186	14,737
Net cash used in operating activities	(85,691)	(213,830)
Cash flows from investing activities		
Acquisition of fixed assets	(1,321)	(41,529)
Net cash used in investing activities	(1,321)	(41,529)
Cash flows from financing activities		
Proceeds from convertible note payable	-	202,170
Payments on note payable	(1,199)	(10,862)
Proceeds from common stock payable	97,816	-
Net cash provided by financing activities	96,617	191,308
NET INCREASE (DECREASE) IN CASH	9,605	(64,051)
CASH AT BEGINNING OF PERIOD	108,236	71,222
CASH AT END OF PERIOD	$117,841	$7,171

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$26,834	$16,138
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Incentive from lessor	$-	$118,750
Shares issued for prepaid stock compensation	$103,333	$46,312
Shares issued to settle payable	$20,093	$11,800
Shares issued for stock payable	$515,378	$299,500

See Accompanying Notes to Consolidated Financial Statements.

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 – HISTORY AND ORGANIZATION

Giggles N' Hugs, Inc. ("GIGL Inc." or the "Company") was originally organized on September 17, 2004 under the laws of the State of Nevada, as Teacher's Pet, Inc. GIGL Inc. was organized to sell teaching supplies and learning tools. On August 20, 2010, GIGL Inc. filed an amendment to its articles of incorporation to change its name to Giggles N' Hugs, Inc. The Company is authorized to issue 1,125,000,000 shares of its $0.001 par value common stock.

On December 30, 2011, GIGL Inc. completed the acquisition of all the issued and outstanding shares of GNH, Inc. ("GNH"), a Nevada corporation, pursuant to a Stock Exchange Agreement (the "SEA"). Under the SEA, GIGL Inc. issued 18,289,716 shares of its common stock in exchange for a 100% interest in GNH. Additionally under the SEA, the former officer, director and shareholders of GIGL Inc. agreed to cancel a total of 47,607,500 shares of its common stock.

For accounting purposes, the acquisition of GNH by GIGL Inc. has been recorded as a reverse merger of a public company (the "Merger"), with the exception that no goodwill is generated, and followed up with a recapitalization of GNH based on the factors demonstrating that GNH represents the accounting acquirer. As part of closing of the Merger between GNH and GIGL Inc., GNH obtained 100% of the restaurant operations of Giggles N' Hugs in Westfield Mall in Century City, California. The restaurant operations of Giggles N' Hugs in Westfield Mall in Century City, California was originally formed April 30, 2010 and opened for operation December 3, 2010. Consequently, the historical financial information in the accompanying consolidated financial statements is that of GNH and the restaurant operations of Giggles N' Hugs located in Century City, California. As a result of the Merger, GIGL Inc. now owns all of the assets, liabilities and operations of a kid friendly restaurant named Giggles N' Hugs in Westfield Mall in Century City, California. Additionally, GIGL Inc. obtained ownership to all intellectual property rights for Giggles N' Hugs facilities in the future.

On December 30, 2011, the transactions were completed and resulted in a change in control of the Company. Pursuant to the terms of the Agreement, the Company accepted the resignation of its prior officer and director, Tracie Hadama, and appointed Mr. Joey Parsi as President, Chief Executive Officer, Treasurer, and Secretary of the Company.

The Company adopted a 52/53 week fiscal year ending on the Sunday closest to December 31st for financial reporting purposes. Fiscal year 2013 and 2014 consists of a year ending December 29, 2013 and December 28, 2014. Fiscal year 2012 consists of year ending December 31, 2012. The election for fiscal year was made with the 8-K filing in October 2013.

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 2 – BASIS OF PRESENTATION

The interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US Dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with US generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these interim financial statements be read in conjunction with the financial statements of the Company for the year ended December 28, 2014 and notes thereto included in the Company's annual report on Form 10-K. The Company follows the same accounting policies in the preparation of interim reports.

Results of operations for the interim periods are not indicative of annual results.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Principles of consolidation</u>

At March 29, 2015 the consolidated financial statements include the accounts of Giggles N' Hugs, Inc., GNH CC, Inc. for restaurant operations of Giggles N' Hugs in Westfield Mall in Century City, California, GNH Topanga, Inc. for restaurant operations in Westfield Topanga Shopping Center in Woodland Hills, California, and Glendale Giggles N' Hugs, Inc. for restaurant operations in Glendale Galleria in Glendale, California. At March 30, 2014, consolidated financial statements include the accounts of Giggles N' Hugs, Inc. GNH CC, Inc. for restaurant operations of Giggles N' Hugs in Westfield Mall in Century City, California, GNH Topanga, Inc. for restaurant operations in Westfield

Topanga Shopping Center in Woodland Hills, California. All significant intercompany balances and transactions have been eliminated. Giggles N’ Hugs, Inc., GNH, Inc., GNH Topanga, Inc., and Glendale Giggles N’ Hugs, Inc. will be collectively referred herein to as the “Company”.

Use of estimates

The preparation of 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 revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

Cash and cash equivalents

For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. The carrying value of these investments approximates fair value.

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost or market on a first-in, first-out basis and consist of restaurant food and other supplies.

Property and equipment

The Company records all property and equipment at cost less accumulated depreciation. Improvements are capitalized while repairs and maintenance costs are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful life of the assets or the lease term, whichever is shorter. Leasehold improvements include the cost of the Company's internal development and construction department. Depreciation periods are as follows:

Leasehold improvements	10 years
Restaurant fixtures and equipment	10 years
Computer software and equipment	3 to 5 years

Leases

The Company currently leases its restaurant locations. The Company evaluates each lease to determine its appropriate classification as an operating or capital lease for financial reporting purposes.

Minimum base rent for the Company’s operating leases, which generally have escalating rentals over the term of the lease, is recorded on a straight-line basis over the lease term. The initial rent term includes the build-out, or rent holiday period, for the Company’s leases, where no rent payments are typically due under the terms of the lease. Deferred rent expense, which is based on a percentage of revenue, is also recorded to the extent it exceeds minimum base rent per the lease agreement.

The Company disburses cash for leasehold improvements and furniture, fixtures and equipment to build out and equip its leased premises. The Company also expends cash for structural additions that it makes to leased premises of which $590,000 was reimbursed to Century City, $489,770 was reimbursed to Topanga, and $475,000 was reimbursed to Glendale by their landlords as construction contributions pursuant to agreed-upon terms in the lease agreements. Landlord construction contributions usually take the form of up-front cash. Depending on the specifics of the leased space and the lease agreement, amounts paid for structural components are recorded during the construction period as leasehold improvements or the landlord construction contributions are recorded as an incentive from lessor.

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of long-lived assets

The Company assesses potential impairment of our long-lived assets whenever events or changes in circumstances indicate that the carrying value of the assets or asset group may not be recoverable. Factors considered include, but are not limited to, significant underperformance relative to historical or projected future operating results; significant changes in the manner of use of the acquired assets or the strategy for the overall business; and significant negative industry or economic trends. The Company regularly reviews the restaurant if it is cash flow negative for the previous four quarters to determine if impairment testing is warranted. At any given time, the Company may monitor its operations, and impairment charges could be triggered in the future if the restaurant performance does not improve.

The Company has identified leasehold improvements as the primary asset because it is the most significant component of our restaurant assets, it is the principal asset from which the Company derives cash flow generating capacity and has the longest remaining useful life. The recoverability is assessed in most cases by comparing the carrying value of the assets to the undiscounted cash flows expected to be generated by these assets. Impairment losses are measured as the amount by which the carrying values of the assets exceed their fair values.

At March 29, 2015 and March 30, 2014, we did not record an impairment charge against the carrying value of the restaurants located in Century City, Topanga, and Glendale, California.

Stock-based compensation

The Company records stock based compensation in accordance with the guidance in ASC Topic 505 and 718 which requires the Company to recognize expenses related to the fair value of its employee stock option awards. This eliminates accounting for share-based compensation transactions using the intrinsic value and requires instead that such transactions be accounted for using a fair-value-based method. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with FASB ASC 718-10 and the conclusions reached by the FASB ASC 505-50. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earliest of a performance commitment or completion of performance by the provider of goods or services as defined by FASB ASC 505-50.

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss per common share

Net loss per share is provided in accordance with ASC Subtopic 260-10. We present basic loss per share ("EPS") and diluted EPS on the face of statements of operations. Basic EPS is computed by dividing reported losses by the weighted average shares outstanding. Except where the result would be anti-dilutive to income from continuing operations, diluted earnings per share has been computed assuming the conversion of the convertible long-term debt and the elimination of the related interest expense, and the exercise of stock warrants. Loss per common share has been computed using the weighted average number of common shares outstanding during the year.

Fair Value of Financial Instruments

The carrying amounts reflected in the balance sheets for cash, accounts payable and accrued expenses approximate the respective fair values due to the short maturities of these items. The Company does not hold any investments that are available-for-sale.

As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC, fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Our revenues consist of sales from our restaurant operations and sales of memberships entitling members unlimited access to our play areas for the duration of their membership. As a general principle, revenue is recognized when the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred and services have been rendered; (iii) the price to the buyer is fixed or determinable; and (iv) collectability is reasonably assured.

With respect to memberships, access to our play area extends throughout the term of membership. The vast majority of memberships sold are for one-month terms. Revenue is recognized on a straight-line basis over the membership period. Century City, Topanga, and Glendale receive payments from its customers at the start of the subscription period and each restaurant records deferred revenue for the unearned portion of the subscription period.

Revenues from restaurant sales are recognized when payment is tendered at the point of sale. Revenues are presented net of sales taxes. The obligation is included in other accrued expenses until the taxes are remitted to the appropriate taxing authorities.

We recognize a liability upon the sale of our gift cards and recognize revenue when these gift cards are redeemed in our restaurants.

For party rental agreements, we rely upon a signed contract between us and the customer as the persuasive evidence of a sales arrangement. Party rental deposits are recorded as deferred revenue upon receipt and recognized as revenue when the service has been rendered.

Additionally, revenues are recognized net of any discounts, returns, allowances and sales incentives, including coupon redemptions and complimentary meals.

Convertible Debentures

Beneficial Conversion Feature - If the conversion features of conventional convertible debt provides for a rate of conversion that is below market value, this feature is characterized as a beneficial conversion feature (“BCF”). A BCF is recorded by the Company as a debt discount pursuant to ASC Topic 470-20 “Debt with Conversion and Other Options.” In those circumstances, the convertible debt is recorded net of the discount related to the BCF and the Company amortizes the discount to interest expense over the life of the debt using the effective interest method

Recent pronouncements

The Company has evaluated the recent accounting pronouncements through May 12, 2015 and believes that none of them will have a material effect on the Company’s financial position, results of operations or cash flows.

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 4 – GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplate continuation of the Company as a going concern. The Company has recently sustained operating losses and has an accumulated deficit of $7,472,278 at March 29, 2015. In addition, the Company has negative working capital of $842,686 at March 29, 2015.

The Company has and will continue to use significant capital to grow and acquire market share. These factors raise substantial doubt about the ability of the Company to continue as a going concern. In this regard, management is proposing to raise any necessary additional funds not provided by operations through loans or through sales of their common stock. There is no assurance that the Company will be successful in raising this additional capital or in achieving profitable operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might result from this uncertainty.

NOTE 5 – INVENTORY

Inventory consisted of the following at:

	March 29, 2015	**December 28, 2014**
Restaurant food and supplies	$39,908	$ 37,397
Total	39,908	$ 37,397

NOTE 6 – FIXED ASSETS

Fixed assets consisted of the following at:

	March 29, 2015	December 28, 2014
Leasehold improvements	$2,847,565	$2,847,565
Fixtures and equipment	85,267	85,267
Computer software and equipment	271,253	269,932
Property and equipment, total	3,204,085	3,202,764
Less: accumulated depreciation	(854,416)	(765,034)
Property and equipment, net	$2,349,669	$2,437,730

Depreciation expenses for the thirteen weeks ended March 29, 2015 and March 30, 2014 were $89,382 and $84,186, respectively. Repair and maintenance expenses for the thirteen weeks ended March 30, 2015 and March 30, 2014 were $23,422 and $23,316, respectively.

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 7 – INTANGIBLE ASSETS

	March 29, 2015	**December 28, 2014**
Intangible Assets	$24,703	$ 24,703
Less: accumulated depreciation	(2,058)	(822)
Intangible Asset, net	$22,645	$ 23,881

Amortization expense was $1,236 and $0 for the thirteen weeks ended March 29, 2015 and March 30, 2014.

NOTE 8 – DEFERRED REVENUE

Deferred revenue consisted of the following at:

	March 29, 2015	**December 28, 2014**
Membership cards	$1,438	$ 1,263
Gift cards	4,283	4,212
Dining credit program	1,166	1,166
Party deposits	37,736	36,796
Total	$44,623	$ 43,437

NOTE 9 – INCENTIVE FROM LESSOR

The Company received $590,000 for Century City, $489,770 for Topanga and $475,000 for Glendale from the Company's landlords as construction contributions pursuant to agreed-upon terms in the lease agreements as of March 30, 2017.

Landlord construction contributions usually take the form of up-front cash. Depending on the specifics of the leased space and the lease agreement, amounts paid for structural components are recorded during the construction period as leasehold improvements or the landlord construction contributions are recorded as an incentive from lessor. The incentive from lessor is amortized over the life of the lease which is 10 years and netted against occupancy cost.

Amortization of the incentive from lessor was $26,486 and $19,330 for the thirteen weeks ended March 29, 2015 and March 30, 2014, respectively.

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 10 – NOTE PAYABLE LESSOR

On February 12, 2013, the Company entered into a $700,000 Promissory Note Payable Agreement (the "Promissory Note") with GGP Limited Partnership ("Lender") to be used by the Company for a portion of the construction work to be performed by the Company under the lease by and between the Company and Glendale II Mall Associates, LLC. The Promissory Note accrues interest at a rate of 10% through October 15, 2015, 12% through October 31, 2017, and 15% through October 31, 2023 (the "Maturity Date"). The monthly principal and interest payment will commence upon the earlier of (i) the Rental Commencement Date (as defined in the Lease); or (ii) November 1, 2013 and continuing through and including the Maturity Date, make a fixed monthly installment payment of principal and accrued interest in an amount equal to the principal and interest commencing from the date of the first advance and continuing through and including the Maturity Date.

During the thirteen weeks ended March 29, 2015 and March 30, 2014, the Company paid the Lender a total of $28,033 and $27,000, respectively. Payments broken down into principal of $1,199 and $10,862, respectively, and interests of $26,834 and $16,138, respectively. As of March 29, 2015, the Company has a Promissory Note balance of $662,715, and accrued interest balance of $25,890.

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 11 – PRIVATE PLACEMENT OFFERINGS

On May 22, 2013, the Company entered into a Private Placement Agreement with WestPark Capital, Inc. ("WestPark"), which was amended on April 30, 2014. Under the amendment to the Private Placement Engagement Agreement (the "Agreement"), WestPark will be compensated 10% of transaction value for all equity related transactions, 5% of debt placement for subordinated debt, 2.5% of debt on senior debt placement, 0.5% on credit enhancement, 5% of transaction value for all transactions that are placed through general solicitation of the Company's customer database, and 7 years warrants for the purchase of an equity interest of the Company equal to 3% of the outstanding shares after the final closing of funding pursuant to the terms of this Agreement. If funds raised are less than $2,000,000, such 3% will be prorated accordingly. The warrants will have a nominal exercise price of $0.1 per share and a cashless exercise provision.

During the thirteen weeks ended March 29, 2015, the Company had the below three offerings.

On January 15, 2015, the Company entered into a private placement (the "2014 Offering") to raise capital by issuing 13,333 shares of common stock for a total of $4,000 in cash.

On February 27, 2015, the Company entered into a private placement (the "2015 Offering") to raise capital by issuing 200,000 shares of common stock for a total of $30,000 in cash.

On March 6, 2015, the Company entered into a private placement (the "2015 Offering") to raise capital by issuing 553,333 shares of common stock for a total of $86,000 in cash.

As of March 29, 2015, the Company granted approximately 64,373 warrants to WestPark based on the aforementioned terms. The warrant expense is $19,211 as of March 29, 2015.

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GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 12 – STOCKHOLDERS' DEFICIT

The Company is authorized to issue 1,125,000,000 shares of $0.001 par value common stock. As of March 29, 2015 and December 28, 2014, 35,762,580 shares and 33,563,830 shares were issued and outstanding, respectively.

On December 31, 2014, the Company issued 80,768 shares of common stock to a third party to settle accounts payable of $16,093. The fair value of the shares of common stock was $31,390. As a result, $15,297 was recorded as loss on settlement of payable.

On January 19, 2015, the Company issued 733,333 common stock in settlement of stock payable of $110,000 recorded as of December 28, 2014.

On January 19, 2015, the Company issued 50,000 shares of common stock to a third party in settlement of a law suit with a fair value of $26,438 recorded as common stock payable as of December 28, 2014.

On January 26, 2015, the Company issued 20,000 shares of common stock to a third party for settlement of an account payable balance of $4,000. The fair value of the shares of common stock was $7,000. As a result, $3,000 has been recorded as a loss on settlement of payable.

On February 10, 2015, the Company issued 864,649 shares of common stock in settlement of stock payable of $378,941 as of December 28, 2014.

On March 9, 2015, the Company issued 50,000 shares of common stock to an employee as additional compensation. The fair value of these shares of common stock on the grant date was $13,500.

On March 11, 2015, the Company issued 400,000 common shares to a third party for service and the shares are fair valued at $116,000. The shares were for a contract period of twelve months. As March 29, 2015, the Company has recorded $103,333 as prepaid expenses, and $20,667 as non-employee stock compensation.

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 13 – STOCK OPTIONS AND WARRANTS

Employee Stock Options

The following table summarizes the changes in the options outstanding at March 29, 2015, and the related prices for the shares of the Company's common stock issued to employees of the Company under a non-qualified employee stock option plan.

Range of Exercise Prices	Number Outstanding	Wei ghted Average Exercise Price	Wei ghted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
$ 4.50	135,000	$ 4.50	2.60	135,000	$ 4.50
	135,000		2.60	135,000	

A summary of the Company's stock awards for options as of December 28, 2014 and changes for the thirteen weeks ended March 29, 2015 is presented below:

	Stock Options	Weighted Average Exercise Price
Outstanding, December 28, 2014	135,000	$ 4.50
Granted	—	—
Exercised	—	—
Expired/Cancelled	—	—
Outstanding, March 29, 2015	135,000	$ 4.50

Exercisable, March 29, 2015	135,000	$ 4.50

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 13 – STOCK OPTIONS AND WARRANTS (CONTINUED)

The weighted-average fair value of stock options granted to employees during the period ended March 29, 2015 and March 30, 2014 and the weighted-average significant assumptions used to determine those fair values, using a Black-Scholes-Merton ("Black-Scholes") option pricing model are as follows:

	March 29, 2015	March 30, 2014
Significant assumptions (weighted-average):		
Risk-free interest rate at grant date	1.53% ~ 2.04 %	0.78 %
Expected stock price volatility	331% ~ 335 %	139 %
Expected dividend payout	-	-
Expected option life (in years)	7	5
Expected forfeiture rate	- %	0 %
Fair value per share of options granted	$0.27 ~ 0.32	$3.96

The expected life of awards granted represents the period of time that they are expected to be outstanding. The Company has no historical experience with which to establish a basis for determining an expected life of these awards. Therefore, the Company only gave consideration to the contractual terms and did not consider the vesting schedules, exercise patterns and pre-vesting and post-vesting forfeitures significant to the expected life of the option award.

We estimate the volatility of our common stock based on the calculated historical volatility of similar entities in industry, in size and in financial leverage whose share prices are publicly available. We base the risk-free interest rate used in the Black-Scholes option valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term equal to the expected life of the award. We have not paid any cash dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future. Consequently, we use an expected dividend yield of zero in the Black-Scholes option valuation model.

There were no options granted during the thirteen weeks ended March 29, 2015.

There were no stock-based compensation expenses in connection with options granted to employees recognized in the consolidated statement of operations for the thirteen weeks ended March 29, 2015 and March 30, 2014.

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 13 – STOCK OPTIONS AND WARRANTS (CONTINUED)

Warrants

The following table summarizes the changes in the warrants outstanding at March 29, 2015, and the related prices.

Range of Exercise Prices	**Number Outstanding**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**	**Number Exercisable**	**Weighted Average Exercise Price**
$0.01 to 0.37	378,510	$ 0.14	5.72	378,510	$ 0.14
	378,510		5.72	378,510	

A summary of the Company's warrant as of December 28, 2014 and the changes for the thirteen weeks ended March 29, 2015 is presented below:

	Warrants	**Weighted Average Exercise Price**
Outstanding, December 28, 2014	378,510	$ 0.16
Granted	64,373	0.01
Exercised	—	—
Expired/Cancelled	—	—
Outstanding, March 29, 2015	442,883	$ 0.14
Exercisable, March 29, 2015	442,883	$ 0.14

The weighted-average fair value of warrants granted to third parties during the period ended March 29, 2015 and December 28, 2014 and the weighted-average significant assumptions used to determine those fair values, using a Black-Scholes-Merton ("Black-Scholes") option pricing model are as follows:

	March 29, 2015	March 30, 2014
Significant assumptions (weighted-average):		
Risk-free interest rate at grant date	1.53% -2.04 %	0.78 %
Expected stock price volatility	331% -335 %	139 %
Expected dividend payout	-	-
Expected option life (in years)	7	5
Expected forfeiture rate	- %	0 %
Fair value per share of options granted	$ 0.27-0.32	$ 3.96

The expected life of awards granted represents the period of time that they are expected to be outstanding. The Company has no historical experience with which to establish a basis for determining an expected life of these awards. Therefore, the Company only gave consideration to the contractual terms and did not consider the vesting schedules, exercise patterns and pre-vesting and post-vesting forfeitures significant to the expected life of the warrants awarded.

We estimate the volatility of our common stock based on the calculated historical volatility of similar entities in industry, in size and in financial leverage whose share prices are publicly available. We base the risk-free interest rate used in the Black-Scholes option valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term equal to the expected life of the award. We have not paid any cash dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future. Consequently, we use an expected dividend yield of zero in the Black-Scholes option valuation model.

There were no stock-based compensation expenses in connection with warrants granted to employees recognized in the consolidated statement of operations for the thirteen weeks ended March 29, 2015 and March 30, 2014.

GIGGLES N’ HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 14 – RELATED PARTY TRANSACTIONS

From time to time, the Company has received advances from certain of its officers and related parties to meet short term working capital needs. These advances may not have formal repayment terms or arrangements.

During the thirteen weeks ended March 29, 2015, the Company did not receive any advances from related parties.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The Company leases its Century City restaurant location under an operating lease with a remaining term of 10 years. Restaurant leases typically include land and building shells, require contingent rent above the minimum base rent payments based on a percentage of sales ranging from 7% to 10%, have escalating minimum rent requirements over the term of the lease and require various expenses incidental to the use of the property. The lease also has a renewal option, which the Company may exercise in the future. The Company’s current lease provides early termination rights, permitting the Company and its landlord to mutually terminate the lease prior to expiration if the Company does not achieve specified sales levels in certain years.

As of March 29, 2015, the aggregate minimum annual lease payments under operating leases, including amounts characterized as deemed landlord financing payments are as follows:

2015	$150,728
2016	206,498
2017	212,692
2018	219,073
2019	225,645
Thereafter	38,265
Total	$1,052,901

Rent expense for the Company's Century City operating lease was $34,766 and $34,293 for the thirteen weeks ended March 29, 2015 and March 30, 2014, respectively.

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GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 15 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

During the year ended December 31, 2012, GNH Topanga entered into a Lease Agreement with Westfield Topanga Owner, LP, a Delaware limited partnership, to lease approximately 5,900 square feet in the Westfield Topanga Shopping Center. The lease includes land and building shells, provides a construction reimbursement allowance of up to $475,000, requires contingent rent above the minimum base rent payments based on a percentage of sales ranging from 7% to 10% and require other expenses incidental to the use of the property. The lease also has a renewal option, which GNH Topanga may exercise in the future. The Company's current lease provides early termination rights, permitting the Company and its landlord to mutually terminate the lease prior to expiration if the Company does not achieve specified sales levels in certain years. The lease commenced on March 23, 2013, Topanga's grand opening, and expires on April 30, 2022.

As of March 29, 2015, the aggregate minimum annual lease payments under operating leases, including amounts characterized as deemed landlord financing payments are as follows:

2015	$179,191
2016	247,682
2017	257,589
2018	267,891
2019	278,606
Thereafter	694,884
Total	$1,925,842

Rent expense for the Company's Topanga operating lease was $51,872 and $51,872 for the thirteen weeks ended March 29, 2015 and March 30, 2014, respectively.

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 15 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

On April 1, 2013, the Company entered into a Lease Agreement with Glendale II Mall Associates, LLC, a Delaware limited liability company, to lease approximately 6,000 square feet in the Glendale Galleria in the City of Glendale, County of Los Angeles, and State of California. The lease includes land and building shells, provides a construction reimbursement allowance of up to $475,000, requires contingent rent above the minimum base rent payments based on a percentage of sales ranging from 4% to 7% and require other expenses incidental to the use of the property. The lease commenced on November 21, 2013 and expires on October 31, 2023.

Upon commencement, the aggregate minimum annual lease payments under operating leases, including amounts characterized as deemed landlord financing payments are as follows:

2015	$147,346
2016	203,648
2017	211,794
2018	220,266
2019	229,077
Thereafter	964,800
Total	$1,976,931

Rent expense for the Company's Glendale operating lease was $44,064 and $47,673 for the thirteen weeks ended March 29, 2015 and March 30, 2014, respectively.

Litigation

The Company's CEO, Joey Parsi and a third party, were named in a complaint filed on July 19, 2012 in the Los Angeles Superior Court by Alex Nerush and Preferred Scan, Inc., alleging fraud, negligent misrepresentation, sale of securities by unlicensed broker, sale of securities by means of false and misleading statements, and money had and received.

On August 21, 2014, Giggles N' Hugs, Inc., the Company and Mr. Parsi entered into a settlement in the case of Nerush v. Steele et al filed in Los Angeles Superior Court, Case Number SC 117 806 (the "Settlement"). The Settlement was with with Alex Nerush, Preferred Scan, Inc. ("Preferred Scan"), Richard Steele, Jr., Donald Stoecklein, and the Stoecklein Law Group, LLP ("Law Group") where all allegations against the Company were dismissed with prejudice. The Settlement provided, among other things, the following:

a) The Law Group agreed to release the sum of approximately 140,000 shares of unrestricted common stock of the Company, held by the United States District Court;

b) Preferred Scan and Mr. Nerush shall dismiss, with prejudice, any and all causes of action against the Company and Mr. Parsi, in exchange for a cash payment of $20,000 and 150,000 of restricted shares of the Company's common stock. The $20,000 was paid in two equal payments with the first payment made August 22, 2014, and second made September 29, 2014;

c) In exchange for 50,000 shares of the Company's unrestricted common stock, released pursuant to item (a) above; the Company and Mr. Parsi shall release any and all causes of action against Mr. Steele, Mr. Stoecklein and the Law Group in exchange for release from the Law Group of any obligation to pay attorneys' fees totaling approximately $116,000, and of any and all causes of action against the Company and Mr. Parsi.

On October 20, 2014, pursuant to the Settlement, 52,500 shares of restricted common stock were issued. On January 19, 2015, the Company issued 50,000 shares of unrestricted remaining common stock related to the settlement. The distribution and issuance of the remaining 97,500 shares of restricted common yet to be determined.

The total number of shares of common stock issued pursuant to the Settlement is equal to less than one percent (1%) of the total number of shares of the Company's common stock issued and outstanding as of the Company's Annual Report on Form 10-K filed with the SEC on April 15, 2015.

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 16 – SUBSEQUENT EVENTS

The Company's Management has reviewed all material events through the date of this report in accordance with ASC 855-10, and believes there are several subsequent events to be considered, but none of which should have any material effect on the financial statements.

On March 31, 2015, the Company entered into a private placement to raise capital by issuing 1,100,000 shares of common stock for a total of $165,000 in cash.

On April 2, 2015, the Company issued 70,000 shares of common stock to a third party for services and shares are valued at $21,000.

On April 9, 2015, the Company issued 150,000 shares of common stock to a third party for services and shares are fair valued at $39,000.

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

This thirteen week Report on Form 10-Q contains forward-looking statements and involves risks and uncertainties that could materially affect expected results of operations, liquidity, cash flows, and business prospects. These statements include, among other things, statements regarding:

- our ability to diversify our operations;
- inability to raise additional financing for working capital;
- the fact that our accounting policies and methods are fundamental to how we report our financial condition and results of operations, and they may require our management to make estimates about matters that are inherently uncertain;
- our ability to attract key personnel;
- our ability to operate profitably;
- deterioration in general or regional economic conditions;
- adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
- changes in U.S. GAAP or in the legal, regulatory and legislative environments in the markets in which we operate;
- the inability of management to effectively implement our strategies and business plan;
- inability to achieve future sales levels or other operating results;
- the unavailability of funds for capital expenditures;
- other risks and uncertainties detailed in this report;

As well as other statements regarding our future operations, financial condition and prospects, and business strategies. These forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Quarterly Report on Form 10-Q, and in particular, the risks discussed under the heading "Risk Factors" in Part II, Item 1A and those discussed in other documents we file with the Securities and Exchange Commission. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

References in the following discussion and throughout this quarterly report to “we”, “our”, “us”, “Giggles”, “the Company” similar terms refer to Giggles N’ Hugs, Inc. unless otherwise expressly stated or the context otherwise requires.

The Company adopted a 52/53 week fiscal year ending on the Sunday closest to December 31st for financial reporting purposes. Fiscal year 2013 and 2014 consists of a year ending December 29, 2013 and December 28, 2014. Fiscal year 2012 consists of year ending December 31, 2012. The election for fiscal year was made with the 8-K filing in October 2013.

Overview

Giggles N’ Hugs is a family-friendly restaurant with play areas for children 10 years and younger. The restaurant also features daily live entertainment and shows. The restaurant design is intended to create a fun, casual, family atmosphere where children can interact with parents and each other and where everyone enjoys freshly prepared, organic, nutritious and reasonably priced meals.

Currently, Giggles N’ Hugs owns and operates one restaurant in the Westfield Mall in Century City, California and a second restaurant in the Westfield Mall in Topanga, California, and a third restaurant in the Glendale Galleria in Glendale, California. In the future, we hope to plan to open a number of our Giggles N’ Hugs themed restaurants in high end malls throughout the country.

RESULTS OF OPERATIONS

Results of Operations for the Thirteen Weeks Ended March 29, 2015 and Thirteen Weeks Ended March 30, 2014:

REVENUE

	For Thirteen Weeks Ended March 29.2015	For Thirteen Weeks Ended March 30. 2014	Increase (Decrease) $	%
Revenue:				
Food and beverage sales	$406,307	$438,157	$(31,850)	-7.3 %
Private party rentals	292,903	193,360	99,543	51.5%
Other sales	247,525	221,514	26,011	11.7%
Allowances, returns and discounts	(28,507)	(30,981)	2,474	-8.0 %
Net sales	$918,228	$822,050	$96,178	11.7%

The net sales for the thirteen weeks ended March 29, 2015 and March 30, 2014 were $918,228 and $822,050, respectively. The increase of $96,178, or 11.7%, was due primarily to a continuing trend for higher party rentals.

The net sales consist of revenues from food and beverages, private party rentals, fees for access to the children’s play area, sales from membership cards (of varying terms), sales from Giggles N’ Hugs-branded merchandise, and net of allowances, returns and discounts. Sales were up for private party rentals and other sales, offsetting the decrease allowances, returns and discounts. The Century City location showed the highest increase of 19.0% over the comparable period from last year.

The Company offers a healthy alternative to typical child friendly restaurants, offering appetizing menu options that incorporate nutritious ingredients some children would normally shy away from. We continuously evaluate and modify our menu to accommodate guest requests.

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COSTS AND OPERATING EXPENSES

	For Thirteen Weeks Ended March 29, 2015	For the three months ended March 30, 2014	Increase (Decrease) $	%
Costs and operating expenses:				
Cost of sales including food and beverage	$214,316	$214,093	$223	0.1 %
Labor	332,071	319,518	12,553	3.9 %
Occupancy cost	218,985	234,670	(15,685)	-6.7 %
Depreciation	90,618	84,186	6,432	7.6 %
Total operating expenses	$855,990	$852,467	$3,523	0.4 %
Other expenses:				
Executive compensation	100,577	102,500	(1,923)	-1.9 %
Employee stock-based compensation	13,500	-	13,500	*
Non-employee stock-based compensation	58,000	22,688	35,312	155.6%
Professional and consulting expenses	75,267	239,374	(164,107)	-68.6 %
General and administrative expenses	98,322	79,336	18,986	23.9 %
Finance and interest expenses	16,953	34,890	(17,937)	-51.4 %
(Gain)/ Loss on stock issuance for payable settlement	18,297	(2,133)	20,430	957.8%
Total other expenses	380,916	476,655	(95,739)	-20.1 %
Total costs and operating expenses	1,236,906	1,329,122	(105,716)	-8.0 %

Notes to Costs and Operating Expenses table:

Cost of sales. Costs related to food purchases, supplies and general restaurant operations totaled $214,316 during the thirteen weeks ended March 29, 2015 which showed virtually no change in costs from the comparable period last year. Food costs fluctuate regularly and are difficult to offset or minimize, as any increase in costs of certain commodities could adversely impact our operations unless we pass any such price increases to our guests.

Labor. Labor expenses for the thirteen weeks ended March 29, 2015 and March 30, 2014 were $332,071, and $319,518, respectively. The increase of 3.9% was largely due to wage increases. As a customer service company our primary variable cost is related to providing such services. With constant pressure for increased wages, the Company was successfully in keeping labor costs at 39% of revenue versus 38% for a comparable period in 2014. Labor costs are constantly fluctuating and any changes to minimum wages payable could adversely impact our operations.

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Occupancy Cost. Occupancy costs actually declined 6.7% during the thirteen weeks ended March 29, 2015 to $218,985 from $234,670 during the thirteen weeks ended March 30, 2014. This decline was a result of variable facility costs offsetting minor rent increases

Depreciation. Depreciation for the thirteen weeks ended March 29, 2015 and March 30, 2014 were was $90,618 and $81,186, respectively, and reflects a small increase of 7.6%. We depreciate and amortize purchases of ongoing capital investments and the construction and leasehold improvements related to the development of our stores.

Executive Compensation. During the thirteen weeks ended March 29, 2015, executive compensation of $100,577 decreased slightly by $1,923, or 1.9%, from the $102,500 for the thirteen weeks ended March 30, 2014.

Non-Employee Stock Based Compensation. Although non-employee stock bases compensation increased by $35,312, or 155% for the thirteen weeks ended March 29, 2015 versus the thirteen weeks ended March 30, 2014, this is not a material factor which can and was by effected by a single grant of shares.

Professional and Consulting Expenses. Professional and consulting fees for the thirteen weeks ended March 29, 2015, were only $75,267 compared to $239,374 during a like period for the thirteen weeks ended March 30, 2014, a decline of 68%. Fees dropped $164,107, a decrease of 68% from the thirteen weeks ended March 30, 2014 in all categories for legal, accounting and consulting expense, which can be attributed to more efficient accounting control, fewer legal fees related to financing, and a reduced necessity for outside consulting expenses.

General and Administrative. In the normal course of our operations, we incur various expenses, including, but not limited to, advertising and promotion, utilities, office supplies, postage and shipping expenses. During the thirteen weeks ended March 29, 2015, these general and administrative expenses were $98,322, an increase of 23.9% compare to the thirteen weeks ended March 30, 2014.

Finance and Interest Expenses. For the thirteen weeks ended March 29, 2015 and March 30, 2014, the Company incurred finance and interest costs of $16,953 and $34,890 respectively. The drop of $17,937, or 51% is mostly attributable to the reduction of outstanding convertible debt.

Net Loss

The net loss for the thirteen weeks ended March 29, 2015 was $318,680, compared to a net loss of $506,272 for the thirteen weeks ended March 30, 2014. The decrease of $187,592, or 37%, was a function of stabilizing operating costs and a drop in overall general and administrative costs 37%. Management believe losses will continue to be reduced and profitability will be attained in future quarters as the popularity of our restaurants increases.

LIQUIDITY AND CAPITAL RESOURCES

As of March 29, 2015, the Company has $117,841 in cash and equivalents, $39,908 in inventory, and $7,606 in prepaid expenses and other. The following table provides detailed information about our net cash flow for all financial statement periods presented in this report. To date, we have financed our operations through the issuance of stock and borrowings, in addition to sales-generated revenue.

The following table sets forth a summary of our cash flows for the thirteen weeks ended March 29, 2015 and thirteen weeks ended March 30, 2014:

	For Thirteen Weeks Ended March 29, 2015	For Three Months Ended March 30, 2014
Net cash provided by (used in) operating activities	$ (85,690)	$(213,830)
Net cash used in investing activities	(1,321)	(41,529)
Net cash (used) provided by financing activities	96,617	191,308
Net increase (decrease) in Cash	9,606	(64,051)
Cash, beginning of period	108,236	71,222
Cash, end of period	$ 117,841	$7,171

Operating activities

Net cash used in operating activities was $85,690 for the thirteen weeks ended March 29, 2015, as compared to $213,830 used in operating activities for the thirteen weeks ended March 30, 2014. The biggest contributor to the reduction in cash used in operating activities was the decrease in the net loss for the current period over the prior year.

Investing activities

Net cash used in investing activities decline by $40,208 for the thirteen weeks ended March 29, 2015 compared to the thirteen weeks ended March 30, 2014, resulting from a fewer fixed assets acquired.

Financing activities

Net cash provided by financing activities for the thirteen weeks ended March 29, 2015 was $96,617, although representing a drop from the same period in 2014 due to proceeds from a large convertible note payable during the thirteen weeks ended March 30, 2014.

We expect to use our cash to invest in our core businesses, including new product innovations, advertising and marketing, as well as the construction and build-out of additional restaurant locations. Other than normal operating expenses, cash requirements for 2015 are expected to consist primarily of capital expenditures and additional investments in advertising and marketing efforts.

The Company is not required to provide a tabular disclosure of contractual obligations, as it is a smaller reporting company as defined under Rule 12b-2 of the Exchange Act.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Without sufficient cash flow from operations we will require additional cash resources, including the sale of equity or debt securities, to meet our planned capital expenditures and working capital requirements for the next 12 months. We will require additional cash resources due to changed business conditions to implement of our strategy to successfully expand our operations. If our own financial resources and then-current cash-flows from operations are insufficient to satisfy our capital requirements, we may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity securities will result in dilution to our existing stockholders. The incurrence of indebtedness will result in increased debt service obligations and could require us to agree to operating and financial covenants that could restrict our operations or modify our plans to grow the business. Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favorable to us, or at all, will limit our ability to expand our business operations and could harm our overall business prospects.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

This item is not applicable as we are currently considered a smaller reporting company.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Principal Executive Officer and Principal Financial Officer, Joey Parsi, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Report. Based on his evaluation, he concluded that our disclosure controls and procedures are not designed at a reasonable assurance level and are not effective to provide reasonable assurance that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

None.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings.

As of the date of this Report, the Company was not subject to any material legal proceedings. The only significant litigation that the Company was previously involved with was settled in August 2014 (see Note 16 - Subsequent Events) From time to time, however, the Company may be named as a defendant in legal actions arising from normal business activities. Although the Company cannot accurately predict the amount of its liability, if any, that could arise with respect to currently pending legal actions, it is not expected that any such liability will have a material adverse effect on the Company's financial position, operating results or cash flows.

ITEM 1A. Risk Factors

Our significant business risks are described in Item 1A to Form 10-K for the year ended December 29, 2013, which is incorporated herein by this reference.

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

Stock Issuances

The Company is authorized to issue 1,125,000,000 shares of $0.001 par value common stock. As of March 29, 2015 and December 28, 2014, total shares issued and outstanding were 35,762,580 shares and 33,563,830 shares, respectively.

On December 31, 2014, the Company issued 80,768 shares of common stock to a third party to settle accounts payable of $16,093. The fair value of the shares of common stock was $31,390. As a result, $15,297 was recorded as loss on settlement of payable.

On January 15, 2015, the Company entered into a private placement (the “2014 Offering”) to raise capital by issuing 13,333 shares of common stock for a total of $4,000 in cash.

On January 19, 2015, the Company issued 733,333 common stock in settlement of stock payable of $110,000 recorded as of December 28, 2014.

On January 19, 2015, the Company issued 50,000 shares of common stock to a third party in settlement of a law suit with a fair value of $26,438 recorded as common stock payable as of December 28, 2014.

On January 26, 2015, the Company issued 20,000 shares of common stock to a third party for settlement of an account payable balance of $4,000. The fair value of the shares of common stock was share was $7,000, as a result, $3,000 has been recorded as a loss on settlement of payable.

On February 10, 2015, the Company issued 864,649 shares of common stock in settlement of stock payable of $378,941 as of December 28, 2014.

On February 27, 2015, the Company entered into a private placement (the "2015 Offering") to raise capital by issuing 200,000 shares of common stock for a total of $30,000 in cash.

On March 6, 2015, the Company entered into a private placement (the "2015 Offering") to raise capital by issuing 553,333 shares of common stock for a total of $86,000 in cash.

On March 9, 2015, the Company issued 50,000 shares of common stock to an employee as additional compensation. The fair value of these shares of common stock on the grant date was $13,500.

On March 11, 2015, the Company issued 400,000 common shares to a third party for service and the shares are fair valued at $116,000. The shares were for a contract period of twelve months. As March 29, 2015, the Company has recorded $103,333 as prepaid expenses, and $20,667 as non-employee stock compensation.

The Company's Management has reviewed all material events through the date of this report in accordance with ASC 855-10, and believes there are several subsequent events to be considered, but none of which should have any material effect on the financial statements.

On March 31, 2015, the Company entered into a private placement to raise capital by issuing 1,100,000 shares of common stock for a total of $165,000 in cash.

On April 2, 2015, the Company issued 70,000 shares of common stock to a third party for services and shares are valued at $21,000.

On April 9, 2015, the Company issued 150,000 shares of common stock to a third party for services and shares are fair valued at $39,000.

The issuance and sale of the above securities was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933, as amended, by virtue of Section 4(2) and Regulation D. The recipients of the securities were afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make their investment decision, including the financial statements and Company filings made in compliance with the Securities Exchange Act of 1934, as amended. We reasonably believed that the recipients, immediately prior to the sale of the securities, were accredited investors and had such knowledge and experience in our financial and business matters that they were capable of evaluating the merits and risks of their investment. The management of the recipients had the opportunity to speak with our management on several occasions prior to their investment decision.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities from the time of our inception through the period ended March 29, 2015.

ITEM 3. Defaults Upon Senior Securities.

None

ITEM 4. Mine Safety Disclosures.

Not applicable.

ITEM 5. Other Information.

None.

ITEM 6. Exhibits.

Exhibit No.	**Description**
31.1*	Certification of Principal Executive Officer & Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of Principal Executive Officer & Principal 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**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase
101.DEF**	XBRL Taxonomy Extension Definition Linkbase
101.LAB**	XBRL Taxonomy Extension Label Linkbase
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.

** *XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.*

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SIGNATURE

Pursuant to the requirements 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.

GIGGLES N' HUGS, INC.

Date May 13, 2015 By:*/s/ Joey Parsi*
Joey Parsi
Chief Executive Officer
(Principal Executive Officer and duly authorized signatory)

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