

Giggles N' Hugs, Inc.
Form 10-Q
November 12, 2014

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 September 28, 2014

[] 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:

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Suite 850

Los Angeles, CA 90024

(310) 208-1182

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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 No

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

Yes No

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

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

Yes No

The number of shares of Common Stock, \$0.001 par value, outstanding on November 11, 2014 was 33,263,830 shares.

GIGGLES N' HUGS, INC.

THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014

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PART I – FINANCIAL INFORMATION**Item 1. Financial Statements.****GIGGLES N' HUGS, INC.****CONSOLIDATED BALANCE SHEETS****(unaudited)**

	September 28, 2014	December 29, 2013
Assets		
Current assets:		
Cash and equivalents	\$ 107,731	\$ 71,222
Inventory	37,894	41,744
Prepaid stock-based compensation	63,577	-
Prepaid expenses, other	22,472	6,247
Total current assets	231,674	119,213
Fixed assets:		
Total fixed assets, net	2,554,818	2,695,214
Other assets:		
Security deposits, other	45,498	38,730
Unamortized fees	-	68,390
Total other assets	45,498	107,120
Total assets	\$2,831,990	\$2,921,547
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$947,278	\$850,126
Incentive from lessor - current portion	110,205	80,158
Note Payable from lessor - current portion	50,960	79,735
Accrued expenses	249,095	301,845
Deferred revenue	38,406	40,527
Due to related party	-	40,000
Convertible note payable and accrued interest	-	54,703
Total current liabilities	1,395,944	1,447,094

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Long-term liabilities:		
Incentive from lessor - long-term	1,229,616	1,248,051
Note payable - lessor	591,532	541,913
Convertible note payable, net of debt discount	-	321,911
Total long-term liabilities	1,821,148	2,111,875
Total liabilities	3,217,092	3,558,969
Stockholders' deficit:		
Common stock, \$0.001 par value, 1,125,000,000 shares authorized, 32,163,993 and 24,159,145 shares issued and outstanding as of September 28, 2014 and December 29, 2013, respectively	32,163	24,159
Common stock payable (851,666 and 678,333 shares as of September 28, 2014 and December 29, 2013, respectively)	348,600	480,500
Additional paid-in capital	5,872,930	3,654,207
Accumulated deficit	(6,638,795)	(4,796,288)
Total stockholders' deficit	(385,102)	(637,422)
Total liabilities and stockholders' deficit	\$2,831,990	\$2,921,547

See Accompanying Notes to Consolidated Financial Statements.

GIGGLES N' HUGS, INC.**CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)**

	Thirteen Weeks Ended September 28, 2013	Three Months Ended September 30, 2013	Thirty-Nine Weeks Ended September 28, 2012	Nine Months Ended September 30, 2013
Revenue				
Net sales	\$ 913,270	\$ 614,510	\$ 2,559,932	\$ 1,624,941
Costs and operating expenses				
Cost of sales including food and beverage	229,459	100,548	673,113	264,265
Labor	334,261	230,979	969,526	599,705
Occupancy cost	219,865	153,242	677,017	358,761
Depreciation and amortization	89,019	56,928	260,171	137,039
Total operating expenses	872,604	541,697	2,579,827	1,359,770
Other expenses				
Executive compensation	89,701	94,545	291,816	264,661
Non-employee stock-based compensation	134,155	87,600	177,189	272,666
Professional and consulting expenses	110,943	86,794	510,939	345,117
General and administrative expenses	154,280	124,275	301,272	322,151
Finance and interest expense	410,523	31,355	541,129	58,355
(Gain) Loss on stock issuance for payable settlement	-	-	(2,133	) (50,000
Total other expenses	1,772,206	966,266	4,400,039	2,572,720
Loss before provision for income taxes	\$ (858,936	) \$ (351,756	) \$ (1,840,107	) \$ (947,779
Provision for income taxes	\$ -	\$ 4,740	\$ 2,400	\$ 4,740
Net loss	\$ (858,936	) \$ (356,496	) \$ (1,842,507	) \$ (952,519
Net loss per share - basic	\$ (0.03	) \$ (0.01	) \$ (0.07	) \$ (0.04
Weighted average number of common shares outstanding - basic	31,263,801	23,886,123	27,223,678	23,522,653

See Accompanying Notes to Consolidated Financial Statements.

GIGGLES N' HUGS, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)**

	Thirty-Nine Weeks Ended September 28, 2014	Nine Months Ended September 30, 2013
Cash flows from operating activities		
Net loss	\$(1,842,507)	\$(952,519)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	260,171	137,039
Amortization of debt discount	55,070	37,500
Non-employee stock-based compensation	305,290	272,666
Gain on stock issuance for payable settlement	(2,133)	-
Warrants conversion feature for convertible note	161,489	-
Shares issued for lawsuit settlement	105,000	-
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses and deposits	(16,225)	(5,485)
Increase in security deposits, other	(6,768)	6,230
Decrease (increase) in inventory	3,850	(14,430)
Increase in unamortized fees	68,390	-
Increase (decrease) in accounts payable	108,592	209,422
Increase in lease incentive liability	11,612	449,215
Increase in accrued expenses	(77,864)	247,378
Increase in accrued interest	(9,416)	-
Increase in deferred revenue	(2,121)	9,786
Net cash used in operating activities	(877,210)	(334,342)
Cash flows from investing activities		
Acquisition of fixed assets	(119,773)	(1,033,352)
Net cash used in investing activities	(119,773)	(1,033,352)
Cash flows from financing activities		
Proceeds from convertible note payable	50,000	-
Proceeds from lessor note payable	105,000	420,000
Payments on note payable	(57,508)	-
Proceeds from shares issued	976,000	15,000
Proceeds from related party	(40,000)	15,000
Payment to related party	-	(110,000)
Net cash provided by financing activities	1,033,492	610,000
NET INCREASE (DECREASE) IN CASH	36,509	(89,010)

CASH AT BEGINNING OF PERIOD	71,222	156,474
CASH AT END OF PERIOD	\$ 107,731	\$ 67,464
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ 46,912	\$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Shares issued for prepaid stock compensation	\$ 63,577	\$ -
Shares issued to settle payable	\$ 11,800	\$ 150,000
Shares issued for stock payable	\$ 299,500	\$ -
Shares issued to settle convertible note payable	\$ 473,804	\$ -

See Accompanying Notes to Consolidated Financial Statements.

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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.

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The Company adopted a 52/53 week fiscal year ending on the Sunday closest to December 31st for financial reporting purposes. Fiscal year 2013 consists of a year ending December 29, 2013. 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.

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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 29, 2013 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

Principles of consolidation

At September 28, 2014 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 September 30, 2013, 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 September 28, 2014 and September 30, 2013, 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.

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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:

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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).

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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 September 28, 2014 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 \$6,638,795 at September 28, 2014. In addition, the Company has negative working capital of \$1,164,270 at September 28, 2014.

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:

	September 28, 2014	December 29, 2013
Restaurant food and supplies	\$ 37,894	\$ 41,744
Total	\$ 37,894	\$ 41,744

NOTE 6 – FIXED ASSETS

Fixed assets consisted of the following at:

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	September 28, 2014	December 29, 2013
Leasehold improvements	\$2,860,070	\$2,845,274
Fixtures and equipment	96,517	76,157
Computer software and equipment	274,143	189,525
Property and equipment, total	3,230,730	3,110,956
Less: accumulated depreciation	(675,912)	(415,742)
Property and equipment, net	\$2,554,818	\$2,695,214

Depreciation expenses for the thirteen weeks and thirty nine weeks ended September 28, 2014 were \$89,019 and \$260,171, respectively, and for the three and nine months ended September 30, 2013 were \$56,928 and \$137,039, respectively. Repair and maintenance expenses for the thirteen weeks and thirty nine weeks ended September 28, 2014 were \$19,996 and \$65,428, respectively, and for the three and nine months ended September 30, 2013 were \$13,407 and \$27,908, respectively.

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GIGGLES N' HUGS, INC.**NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

NOTE 7 – DEFERRED REVENUE

Deferred revenue consisted of the following at:

	September 28, 2014	December 29, 2013
Membership cards	\$ 1,382	\$ 1,482
Gift cards	4,523	5,495
Dining credit program	1,454	12,179
Party deposits	31,047	21,371
Total	\$ 38,406	\$ 40,527

NOTE 8 – 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 \$22,078 and \$59,638 for the thirteen weeks and thirty nine weeks ended September 28, 2014, respectively and \$15,391 and \$40,931 for the three and nine months ended September 30, 2013, respectively.

GIGGLES N' HUGS, INC.**NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

NOTE 9 – 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.

The Company has drawn down on the entire \$700,000 of the Promissory Note, after receiving the final \$105,000 on September 18, 2014. During the thirteen weeks and thirty nine weeks ended September 28, 2014, the Company paid the Lender a total of \$50,000 and \$102,133, respectively. Payments broken down into \$35,324 and \$57,322, respectively, in principal and \$14,676 and \$44,811, respectively, in interest for the thirteen weeks and thirty nine weeks ended September 28, 2014. As of September 28, 2014, the Company has a Promissory Note balance of \$642,492, and accrued interest balance of \$25,114.

NOTE 10 – CONVERTIBLE NOTE PAYABLE

A summary of convertible debentures payable as of September 28, 2014 and December 29, 2013 is as follows:

	September 28, 2014	December 29, 2013
Convertible note, accrue interest at 8% per annum and mature on November 23, 2013	\$ -	\$ 50,000
Debt discount - beneficial conversion feature	-	-
Convertible note, net unamortized discount	\$ -	\$ 50,000

On November 23, 2012, the Company entered into an unsecured Note Payable Agreement with Gary Schahet (the “Lender”) pursuant to which the Company issued \$50,000 of an unsecured convertible note (the “Note Payable”).

The Note Payable accrues interest at a rate of 8% per annum and matured on November 23, 2013. The Lender may also convert all or a portion of the Note Payable at any time at a price equal to the lesser of (i) \$0.25, or (ii) ninety percent (90%) of a Subsequent Financing Price (price per share paid by investors in a subsequent financing), or (iii) ninety percent (90%) of a Change of Control price (per share consideration paid in a change of control transaction).

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GIGGLES N' HUGS, INC.**NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

NOTE 10 – CONVERTIBLE NOTE PAYABLE (CONTINUED)

The Company has determined the value associated with the beneficial conversion feature in connection with the Note Payable to be \$50,000. The aggregate beneficial conversion feature has been accreted and charged to financing expense in the amount of \$0.00 and \$50,000 as of September 28, 2014 and December 29, 2013, respectively. During the thirty nine weeks ended September 28, 2014 and nine months ended September 30, 2013, the Company recorded interest expense of \$1,150 and \$1,000, respectively. On June 11, 2014, pursuant to the terms of the Note Payable, a total of 224,600 shares of common stock were issued to the Lender at \$0.25 per share in exchange for the cancellation of the outstanding principal and interest accrued thereon.

On September 9, 2013, the Company entered into a private placement (the “2013 Offering”) to raise capital by issuing units, each consisting of convertible debentures with four-year maturity (the “Debentures”) with sixty percent (60%) warrant coverage (the “Warrants”).

The Debentures accrue interest at a rate of 7% per annum and mature four years from the respective dates of issuance, which are listed on the chart below. The Debentures have a conversion price of \$0.37 per unit and the Warrants have an exercise price at a thirty percent (30%) discount from the market price on the date of exercise, subject to a \$0.25 per share floor, or \$0.37 per warrant share on date of maturity.

The Debentures contain a mandatory conversion feature whereby the Company may require conversion of the Debentures if the Company’s Common Stock is trading at an average volume of at least 50,000 shares per day for thirty consecutive trading days, provided the average trading price of such stock is \$0.75 or greater during such time. The Debentures shall automatically convert at maturity.

	September 28, 2014	December 29, 2013
Debentures, accrue interest at 7% per annum and mature on October 8, 2017	\$ -	\$ 100,000
Debentures, accrue interest at 7% per annum and mature on November 17, 2017	-	100,000
Debentures, accrue interest at 7% per annum and mature on November 25, 2017	-	75,000
Debentures, accrue interest at 7% per annum and mature on November 26, 2017	-	40,000

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Debentures, accrue interest at 7% per annum and mature on November 25, 2017	-	40,000
Debentures, accrue interest at 7% per annum and mature on February 2, 2018	-	-
Debt discount - beneficial conversion feature	-	(36,269)
Accrued interest	-	3,180
Convertible note, net unamortized discount	\$ -	\$321,911

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GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 10 – CONVERTIBLE NOTE PAYABLE (CONTINUED)

During the fiscal year ended December 29, 2013, the Company issued a total of \$355,000 Debentures and had determined the value associated with the beneficial conversion feature in connection with the Debentures to be \$318,731, net with the unamortized discount in the amount of \$36,269. During the thirty nine weeks ended September 28, 2014, the Company issued an additional \$50,000 Debentures with \$11,777 of beneficial conversion feature, net with the unamortized discount in the amount of \$9,603.

During the thirty nine weeks ended September 28, 2014, the Company issued a total of 283,243 shares of common stock at \$0.37 per share to convert \$100,000 principal amount of Debenture and related accrued interest and issued a total of 1,588,275 shares of common stock A \$0.20 per share to convert \$305,000 principal amount of Debenture and related accrued interest.

During the thirty nine weeks ended September 28, 2014, the Company recorded a total interest expense of \$111,180 and a total financing expense of \$162,499. As of September 28, 2014, the Company has accrued interest balance of \$0 and Debenture balance with a beneficial conversion feature of \$0 net with the Unamortized Discount balance of \$0.

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.

As of September 28, 2014, the Company had the below three offerings.

On September 9, 2013, the Company entered into a private placement (the “2013 Offering”) to raise capital by issuing Debentures attached with sixty percent (60%) warrants maturing four years from the date of issuances.

The Debentures accrue interest at a rate of 7% per annum and mature four years from the date of issuance. The Debentures have a conversion price of \$0.37 per unit and the attached warrants exercise price at a 30% discount from market price, subject to a \$0.25 per share floor, or \$0.37 per warrant share on the date of maturity.

The Company may require conversion of the Debentures if the Company’s common stock is trading at a volume of 50,000 shares per day for thirty consecutive trading days, provided the average trading price of such stock is \$0.75 or greater during such time. The Debentures shall automatically convert at maturity. See Note 10 for more information on the 2013 Offering.

On April 22, 2014, the Company entered into an amendment to the initial private placement (the “Amended 2013 Offering”) to amend the terms from issuing Debentures to issuing common stock of the Company at a price of \$0.20

per share. As of September 28, 2014, the Company has raised \$255,000 with the issuance of 1,275,000 shares of the Company's common stock under the Amended 2013 Offering.

On May 13, 2014, the Company commenced a "best efforts" offering (the "2014 Offering") of up to \$2,600,000 representing 6,700,000 shares of the Company's common stock, at a price per tier as set forth below. The 2014 Offering is being made pursuant to Rule 506(c) of Regulation D under the Securities Act of 1933, as amended, and the Jumpstart Our Business Startups Act. As of September 28, 2014, the Company raised \$300,000 at \$0.25 per share and \$371,000 at \$0.30 per share, for a total issuance of 2,436,667 shares.

First \$300,000 invested	\$0.25
Next \$300,000 invested	\$0.30
Next \$1,000,000 invested	\$0.40
Final \$1,000,000 invested	\$0.50

As of September 28, 2014, the Company granted approximately 294,675 warrants to WestPark based on the aforementioned terms, and WestPark exercised 238,986 warrants that related to the 2013 Offering and Amended 2013 Offering.

GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 12 – STOCKHOLDERS' EQUITY

The Company is authorized to issue 1,125,000,000 shares of \$0.001 par value common stock. As of September 28, 2014 and December 29, 2013, 32,163,993 shares and 24,159,145 shares were issued and outstanding, respectively.

On January 27, 2014, the Company issued 50,000 shares of common stock to a third party for legal services. The fair value of the shares of common stock was \$12,000 which is recorded to non-employee stock-based compensation.

On February 12, 2014, the Company issued 150,000 shares of common stock to a third party for services. The fair value of the shares of common stock was \$28,500 which is for a contract period of February 2014 to August 2014. As of September 28, 2014, the Company has recorded \$28,500 as non-employee stock-based compensation.

On February 19, 2014, the Company issued 23,333 shares of common stock to a third party for settlement of an account payable balance of \$1,800. The fair value of the shares of common stock was \$4,667 which the difference of \$2,867 has been recorded as a loss on settlement of payable.

On February 26, 2014, the Company issued 150,000 shares of common stock to a third party for services. The fair value of the shares of common stock was \$28,500, which is for a contract period of twelve months. As of September 28, 2014, the Company has recorded \$10,688 as non-employee stock-based compensation with the remaining prepayment balance of \$17,813.

On March 25, 2014, the Company issued 25,000 shares of common stock to a third party for settlement of an account payable balance of \$10,000. The fair value of the shares of common stock was \$5,000 which the difference of \$5,000 has been recorded as a gain on settlement of payable.

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On March 25, 2014, the Company issued 250,000 shares of common stock to its Chief Officer of Operations for services rendered in the previous year. This is to settle common stock payable balance by of \$299,500.

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GIGGLES N' HUGS, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 12 – STOCKHOLDERS' EQUITY (CONTINUED)

On April 14, 2014, the Company issued 72,222 shares of common stock to a third party for service. The fair value of the shares of common stock was \$14,806.

On May 9, 2014, the Company issued 975,000 shares of common stock for cash proceeds of \$195,000 raised under the Amended 2013 Offering. See Note 11.

On May 9, 2014, the Company issued 425,000 shares of common stock to a third party for service. The fair value of the shares of common stock was \$119,000, which is for a contract period of nine months. As of June 29, 2014, the Company has recorded \$26,444 as non-employee stock-based compensation with the remaining prepayment balance of \$92,556.

On May 9, 2014, the Company issued 238,986 shares of common stock pursuant to 100% exercise of a warrant issued in September 2013.

On June 11, 2014, the Company issued 283,243 shares of common stock pursuant to 100% conversion of a convertible note payable under the 2013 Private Placement Offering with a principal amount of \$100,000 in relations to the conversion of the Debentures listed in Note 10.

On June 11, 2014, the Company issued 224,600 shares of common stock pursuant to 100% conversion of a convertible note payable with a principal amount of \$50,000 in relations to the conversion of the Debentures listed in Note 10.

On June 23, 2014, the Company issued 300,000 shares of common stock for cash proceeds of \$60,000 raised under the Amended 2013 Offering. See Note 11.

On July 1, 2014, the Company issued 208,000 shares of common stock pursuant to 100% conversion of a convertible debenture payable under the 2013 Offering. See Note 10.

On July 1, 2014, the Company issued 681,081 shares of common stock pursuant to 100% exercise of warrants attached to the convertible debentures payable under the 2013 Offering. See Note 10.

On July 1, 2014, the Company issued 326,666 shares of common stock for cash proceeds of \$90,000 raised under the 2014 Offering. See Note 11.

On July 8, 2014, the Company issued 1,379,875 shares of common stock pursuant to 100% conversion of the convertible debentures payable under the 2013 Offering. See Note 10.

On July 8, 2014, the Company issued 108,108 shares of common stock pursuant to 100% exercise of warrants attached to the convertible debentures payable under the 2013 Offering. See Note 10.

On July 8, 2014, the Company issued 560,000 shares of common stock for cash proceeds of \$140,000 raised under the 2014 Offering. See Note 11.

On August 5, 2014, the Company issued 890,001 shares of common stock for cash proceeds of \$243,000 raised under the 2014 Offering. See Note 11.

On August 11, 2014, the Company issued 660,000 shares of common stock for cash proceeds of \$198,000 raised under the 2014 Offering. See Note 11.

On August 21, 2014, the Company settled a lawsuit by agreeing to issue 200,000 shares of common stock valued at \$105,000, in which 150,000 shares of restricted common stock and 50,000 shares of unrestricted common stock. As of September 28, 2014, the Company has yet issue the shares and the \$105,000 has been recorded as stock payable.

GIGGLES N' HUGS, INC.**NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

NOTE 13 – STOCK OPTIONS AND WARRANTSEmployee Stock Options

The following table summarizes the changes in the options outstanding at September 28, 2014, 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	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
\$ 4.50	175,000	\$ 4.50	2.35	175,000	\$ 4.50
	175,000		2.35	175,000	

A summary of the Company's stock awards for options as of December 29, 2013 and changes for the thirty nine weeks ended September 28, 2014 is presented below:

	Stock Options	Weighted Average Exercise Price
Outstanding, December 29, 2013	175,000	\$ 4.50
Granted	—	—
Exercised	—	—
Expired/Cancelled	—	—
Outstanding, September 28, 2014	175,000	\$ 4.50
Exercisable, September 28, 2014	175,000	\$ 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 September 28, 2014 and September 30, 2013 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:

	September 28, 2014		September 30, 2013	
Significant assumptions (weighted-average):				
Risk-free interest rate at grant date	0.78	%	0.78	%
Expected stock price volatility	139	%	139	%
Expected dividend payout	-		-	
Expected option life (in years)	4.59		4.59	
Expected forfeiture rate	-	%	-	%
Fair value per share of options granted	\$ 3.96		\$ 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 quarter ended September 28, 2014.

There were no stock-based compensation expenses in connection with options granted to employees recognized in the consolidated statement of operations for the thirty nine weeks ended September 28, 2014 and nine months ended September 30, 2013.

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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 September 28, 2014, 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	\$ 0.16	6.14	162,162	\$ 0.37
	378,510		6.14	162,162	

A summary of the Company's warrant as of December 29, 2013 and the changes for the thirty nine weeks ended September 28, 2014 is presented below:

	Warrants	Weighted Average Exercise Price
Outstanding, December 29, 2013	575,676	\$ 0.37
Granted	547,400	0.06
Exercised	(744,565)	0.12
Expired/Cancelled	—	—
Outstanding, September 28, 2014	378,510	\$ 0.16
Exercisable, September 28, 2014	162,162	\$ 0.37

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 September 28, 2014, the Company did not receive any advances from related parties, and repaid the remaining \$15,000 balance due as of September 30, 2014 . These advances are unsecured, bear no interest, and do not have formal repayment terms or arrangements.

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 September 28, 2014, the aggregate minimum annual lease payments under operating leases, including amounts characterized as deemed landlord financing payments are as follows:

2014	\$48,779
2015	200,483
2016	206,498
2017	212,692
2018	219,073
Thereafter	263,910

Total \$1,151,435

Rent expense for the Company's Century City operating lease was \$34,766 and \$34,766 for the thirteen weeks ended September 28, 2014 and three months ended September 30, 2013, respectively, and was \$69,532 and \$69,532 for the thirty nine weeks ended September 28, 2014 and nine months ended September 30, 2013, 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 September 28, 2014, the aggregate minimum annual lease payments under operating leases, including amounts characterized as deemed landlord financing payments are as follows:

2014	\$57,434
2015	238,155
2016	247,682
2017	257,589
2018	267,891
Thereafter	973,490
Total	\$2,042,241

Rent expense for the Company's Topanga operating lease was \$51,873 and \$54,378 for the thirteen weeks ended September 28, 2014 and three months ended September 30, 2013, respectively, and was \$103,745 and \$54,378 for the thirty nine weeks ended September 28, 2014 and nine months ended September 30, 2013, 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:

2014	\$46,605
2015	195,816
2016	203,648
2017	211,794
2018	220,266
Thereafter	1,193,877
Total	\$2,072,005

Rent expense for the Company's Glendale operating lease was \$45,867 and \$0.00 for the thirteen weeks ended September 28, 2014 and three months ended September 30, 2013, respectively, and was \$91,734 and \$0.00 for the thirty nine weeks ended September 28, 2014 and nine months ended September 30, 2013, 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.

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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. The distribution and issuance of the remaining 97,500 shares of restricted common shares and the 50,000 of unrestricted common shares, noted in items (b) and (c) above, are 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 Quarterly Report on Form 10-Q filed with the SEC on August 18, 2014.

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 October 16, 2014, the Company issued 150,000 shares of common stock in exchange for \$15,000 of legal fees owed as of September 28, 2014.

On October 16, 2014, the Company issued 697,337 shares of common stock in exchange for \$209,201 of legal fees owed as of September 28, 2014.

On October 20, 2014, the Company agreed to issue a total of 200,00 shares of the common stock, in which 150,000 shares were restricted common stock and 50,000 shares of unrestricted common, for settlement of the lawsuit valued at \$105,000.

The Company has agreed to issue 23,333 shares of common stock in exchange for services rendered during the third quarter ended September 28, 2014.

The Company has filed a lawsuit against a vendor for return of 150,000 shares of common stock for services to be rendered but failed to perform.

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

This Thirty Nine 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 consists of a year ending December 29, 2013. 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 September 28, 2014 and Three Months Ended September 30, 2013:

REVENUE

	For Thirteen Weeks Ended September 28, 2014	For the Three Months Ended September 30, 2013	Increase (decrease)	
			\$	%
Revenue:				
Net sales	\$ 913,270	\$ 614,510	\$ 298,760	48.6%

The net sales for the thirteen weeks ended September 28, 2014 were \$913,270, including revenue from the Westfield Topanga location and Glendale Galleria location which were opened in 2013, compared to \$614,510 in the three months ended September 30, 2013. This resulted in an increase of \$298,760, or 48.6% higher from the same period a year ago.

The net sales consist of revenues from private party rentals, fees for guests to access the children's play area, sales from our one-, three-, or six-month membership cards, sales from Giggles N' Hugs-branded merchandise, net of allowances, returns and discounts. Sales were up in all categories, while allowances, returns and discounts were mostly flat. We believe that the added stores for the full year, increased internal marketing and periodic events held by the Malls, all contributed to the increase. The Century City location showed a 9.4% increase in sales over the comparable period from last year.

COSTS AND OPERATING EXPENSES

	For Thirteen Weeks Ended September 28, 2014	For the Three Months Ended September 30, 2013	Increase (Decrease)		
			\$	%	
Costs and operating expenses:					
Cost of sales including food and beverage	\$ 229,459	\$ 100,548	\$ 128,911	128.2	%
Labor	334,261	230,979	103,282	44.7	%
Occupancy cost	219,865	153,242	66,623	43.5	%
Depreciation	89,019	56,928	32,091	56.4	%
Total operating expenses	\$ 872,604	\$ 541,697	\$ 330,907	61.1	%
Other expenses:					
Executive compensation	89,701	94,545	(4,844)	-5.1	%
Non-employee stock-based compensation	134,155	87,600	46,555	53.1	%
Professional and consulting expenses	110,943	86,794	24,149	27.8	%
General and administrative expenses	154,280	124,275	30,005	24.1	%
Finance and interest expenses	410,523	31,355	379,168	1209.3	%
Total other expenses	899,602	424,569	475,033	111.9	%
Total costs and operating expenses	1,772,206	966,266	805,940	83.4	%
Provision for income taxes	-	4,740	(4,740)	*	
Net loss	\$(858,936)	\$(356,496)	\$(502,440)	140.9	%

Notes to Costs and Operating Expenses table:

Cost of sales. Costs related to food purchases, supplies and general restaurant operations totaled \$229,459 during the thirteen weeks ended September 28, 2014 including costs from the Westfield Topanga location and Glendale Galleria location which were opened in 2013, representing a 128.2% increase from the \$100,548 cost of sales in the three months ended September 30, 2013. Food costs fluctuate regularly and are difficult to offset or minimize. Any increase in costs of certain commodities could adversely impact our operations unless we pass any such price increases to our guests. Cost of sales is high due to the opening of the Westfield Topanga location and Glendale Galleria in 2013.

Labor. Labor expenses for the thirteen weeks ended September 28, 2014 was \$334,261, including costs from the Westfield Topanga location and Glendale Galleria location which were opened in 2013, an increase of 44.7%, from the three months ended September 30, 2013, which was \$230,979. We are a customer service company and our

primary variable cost is related to providing such services. As a result, labor costs comprised 38% of our total operating expenses during the thirteen weeks ended September 28, 2014, compared to 43% in the comparable three months ended September 30, 2013. Labor costs are constantly fluctuating and any changes to minimum wages payable could adversely impact our operations.

Occupancy Cost. Occupancy cost for the thirteen weeks ended September 28, 2014 was \$219,865, including the costs from the Westfield Topanga location and Glendale Galleria location which were opened in 2013, an increase of 43.5%, from the three months ended September 30, 2013. Facility and other related items should not materially vary from period to period.

Depreciation. Depreciation for the thirteen weeks ended September 28, 2014 was \$89,019 including the costs from the Westfield Topanga location and Glendale Galleria location which were opened in 2013, an increase of 56.4%, from the three months ended September 30, 2013, which was \$56,928. We depreciate and amortize purchases of our ongoing capital investments and the construction and leasehold improvements related to the development of our stores.

Executive Compensation. During the thirteen weeks ended September 28, 2014, executive compensation decreased slightly by \$4,844, or 5.1%, to \$89,701, from \$94,545 for the three months ended September 29, 2013.

Non-Employee Stock Based Compensation. During the thirteen weeks ended September 28, 2014, the non-cash non-employee stock based compensation charges of \$89,701, increased by 14% over the three months ended September 30 2013. The Company amortized shares of common stock for stock issuances for professional and advisory services.

Professional and Consulting Expenses. For the thirteen weeks ended September 28, 2014, professional and consulting expenses were \$110,943, an increase of 27.8% from the three months ended September 30, 2013, in which we incurred \$86,794. These fees primarily include accounting fees, fees related to the audit of our financial statements, legal fees and fees incurred from other professional service firms. We expect to continue to incur professional fees in relation to maintaining our public reporting status with the Securities and Exchange Commission.

General and Administrative. In the normal course of our operations, we incur various expenses, including, but not limited to, legal fees, accounting fees, advertising and promotion, utilities, office supplies, postage and shipping expenses. During the thirteen weeks ended September 28, 2014, general and administrative expenses were \$154,280, an increase compared to \$124,275, or 24.1%, in the three months ended September 30, 2013.

Finance and Interest Expenses. For the thirteen weeks ended September 28, 2014, the Company incurred substantial finance and interest costs of \$410,523 in raising capital and in the conversion of debentures to common stock that required the elimination of debt discount and unamortized fees. For the three months ended September 30, 2013, the amount was only \$31,355.

Net Loss

Our net loss for the thirteen weeks ended September 28, 2014 was \$858,936, compared to a net loss of \$356,496 for the three months ended September 30, 2013. We continue to have a net loss and believe the loss will be reduced and profitability will be attained in future quarters as the popularity of our restaurants increases.

Results of Operations for the Thirty nine weeks Ended September 28, 2014 and Nine Months Ended June 30, 2013:

REVENUE

	For the Thirty-Nine Weeks Ended September 28, 2014	For the Nine Months Ended September 30, 2013	Increase (Decrease)	
			\$	%
Revenue:				
Net sales	\$ 2,559,932	\$ 1,624,941	\$ 934,991	57.5%

Our food and beverage sales for the thirty nine weeks ended September 28, 2014 were \$2,559,932 compared to \$1,624,991 in the nine months ended September 29, 2013, an increase of \$934,991, or 57.5%. This result can be attributed mostly to the full period operations of both the Westfield Topanga and Glendale Galleria locations which opened March 2013, and November 2013, respectively.

COSTS AND OPERATING EXPENSES

	For the Thirty-Nine Weeks Ended September 28, 2014	For the Nine Months Ended September 30, 2013	Increase (Decrease)	
			\$	%
Costs and operating expenses:				
Cost of sales including food and beverage	\$673,113	\$264,265	\$408,848	154.7 %
Labor	969,526	599,705	369,821	61.7 %
Occupancy cost	677,017	358,761	318,256	88.7 %
Depreciation	260,171	137,039	123,132	89.9 %
Total operating expenses	\$2,579,827	\$1,359,770	\$1,220,057	89.7 %
Other expenses:				
Executive compensation	291,816	264,661	27,155	10.3 %
Non-employee stock-based compensation	177,189	272,666	(95,477)	-35.0 %
Professional and consulting expenses	510,939	345,117	165,822	48.0 %
General and administrative expenses	301,272	322,151	(20,879)	-6.5 %
Finance and interest expenses	541,129	58,355	482,774	827.3 %
(Gain)/ Loss on stock issuance for payable settlement	(2,133)	(50,000)	47,867	*
Total other expenses	1,820,212	1,212,950	607,262	50.1 %
Total costs and operating expenses	4,400,039	2,572,720	1,827,319	71.0 %
Provision for income taxes	2,400	4,740	(2,340)	*
Net loss	\$(1,842,507)	\$(952,519)	\$(889,988)	93.4 %

Notes to Costs and Operating Expenses table:

* Not divisible by zero.

Cost of sales. Costs related to food purchases, supplies and general restaurant operations totaled \$673,113 during the thirty nine weeks ended September 28, 2014, including costs from the Westfield Topanga location and Glendale Galleria location which were opened in 2013, which was 154.7% higher than cost of sales of \$264,265 in the nine months ended September 30, 2013. Food costs fluctuate regularly and are difficult to offset or minimize. 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 thirty nine weeks ended September 28, 2014 was \$969,526, including cost from the Westfield Topanga location and Glendale Galleria location, an increase of 61.7%, from the nine months ended September 30, 2013. We are a customer service company and our primary variable cost is related to providing such services. As a result, labor costs comprised 37.6% of our total expenses during the thirty nine weeks ended September 28, 2014, compared to 42% in the comparable period ended September 30, 2013. Labor costs are constantly fluctuating and any changes to minimum wages payable could adversely impact our operations.

Occupancy Cost. Occupancy cost for the thirty nine weeks ended September 28, 2014 was \$677,017, including the lease costs Westfield Topanga location and Glendale Galleria location, an increase of 88.7%, from the nine months ended September 30, 2013. Facility and other related items should not materially vary from period to period.

Depreciation. Depreciation for the thirty nine weeks ended September 28, 2014 was \$260,171, including the Westfield Topanga location depreciation and Glendale Galleria location which were opened in 2013, an increase of 89.9%, from the nine months ended September 30, 2013. We depreciate and amortize purchases of our ongoing capital investments and the construction and leasehold improvements related to the development of our stores.

Executive Compensation. During the thirty nine weeks ended September 28, 2014, executive compensation increased by \$27,155 or 10.3%, to \$291,816 from \$264,611 for the nine months ended September 30, 2013.

Non-Employee Stock Based Compensation. During the thirty nine weeks ended September 28, 2014, non-cash non-employee stock based compensation charges decreased by \$95,477. The Company amortized shares of common stock for stock issuances for professional and advisory services.

Professional Expenses and Consulting Expenses. Professional and consulting fees for the thirty nine weeks ended September 28, 2014 was \$510,939, an increase of 48% from the nine months ended September 30, 2013, in which we incurred \$345,117 in fees. These fees primarily include accounting fees, fees related to the audit of our financial statements, legal fees and fees incurred from other professional service firms. We expect to continue to incur professional fees in relation to maintaining our public reporting status with the Securities and Exchange Commission.

General and Administrative. In the normal course of our operations, we incur various expenses, including, but not limited to, legal fees, accounting fees, advertising and promotion, utilities, office supplies and postage and shipping expenses. During the thirty nine weeks ended September 28, 2014, general and administrative expenses declined by \$20,879, incurring \$301,272, compared to \$322,151 in the nine months ended September 30, 2013.

Finance and Interest Expenses. For the thirty nine weeks ended September 28, 2014, the Company incurred substantial finance and interest costs of \$541,129 in raising capital and in the conversion of debentures to common stock that required the elimination of debt discount and unamortized fees. For the nine months ended September 30, 2013, the amount was only \$58,355.

Net Loss

Our net loss for the thirty nine weeks ended September 28, 2014 was \$1,842,507, an increase of \$952,519 from the nine months ended September 30, 2013. We continue to have a net loss and believe the loss will be reduced and profitability will be attained in future quarters as the popularity of our restaurants increase.

LIQUIDITY AND CAPITAL RESOURCES

As of September 28, 2014, the Company has \$107,731 in cash and equivalents, \$37,894 in inventory, and \$107,498 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 thirty nine weeks ended September 28, 2014 and nine months ended September 30, 2013:

	For Thirty-Nine Weeks Ended September 28, 2014	For Nine Months Ended September 30, 2013
Net cash provided by (used in) operating activities	(877,211)	\$ 334,342
Net cash used in investing activities	(119,773)	(1,033,352)
Net cash provided by financing activities	1,033,492	610,000
Net decrease in Cash	36,508	(89,010)
Cash, beginning of period	71,223	156,474
Cash, end of period	\$ 107,731	\$ 67,464

Operating activities

Net cash used in operating activities was \$877,211 for the thirty nine weeks ended September 28, 2014, as compared to \$334,342 provided in operating activities for the nine months ended September 30, 2013.

Investing activities

Net cash used in investing activities was \$119,773, for the thirty nine weeks ended September 28, 2014, as compared to \$1,033,352 used in investing activities for the nine months ended September 30, 2013.

Financing activities

Net cash provided by financing activities for the thirty nine weeks ended September 28, 2014 was \$1,033,492, as compared to \$610,000 for the nine months ended September 30, 2013.

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 2014 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 other 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

On January 27, 2014, the Company issued 50,000 shares of common stock to a third party for services. The fair value of the shares of common stock was \$12,000 which is recorded to legal services.

On February 12, 2014, the Company issued 150,000 shares of common stock to a third party for services. The fair value of the shares of common stock was \$28,500 which is for a contract period of February 2014 to August 2014.

On February 19, 2014, the Company issued 23,333 shares of common stock to a third party for services. The fair value of the shares of common stock was \$1,800 which is recorded to professional fees.

On February 26, 2014, the Company issued 25,000 shares of common stock to a third party for services. The fair value of the shares of common stock was \$28,500, which is recorded as a prepayment for services to be rendered payable five months after initial payment date.

On March 25, 2014, the Company issued 25,000 shares of common stock to a third party for services. The fair value of the shares of common stock was \$5,000 which is recorded to professional fees.

On March 25, 2014, the Company issued 250,000 shares of common stock to its Chief Officer of Operations for services rendered in the previous year. This is to settle common stock payable balance by of \$299,500.

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On April 14, 2014, the Company issued 72,222 shares of common stock to a third party for service. The fair value of the shares of common stock was \$14,806.

On May 9, 2014, the Company issued 975,000 shares of common stock to third parties to per offering agreement. The fair value of the shares of common stock was \$195,000.

On May 9, 2014, the Company issued 425,000 shares of common stock to a third party for service. The fair value of the shares of common stock was \$119,000.

On May 9, 2014, the Company issued 238,986 shares of common stock pursuant to 100% exercise of a warrant issued in September 2013.

On May 13, 2014, the Company commenced a “best efforts” offering (the “2014 Offering”) of up to \$2,600,000 representing 6,700,000 shares of the Company’s common stock, at a price per tier as set forth below. The 2014 Offering is being made pursuant to Rule 506(c) of Regulation D under the Securities Act of 1933, as amended, and the Jumpstart Our Business Startups Act. As of September 28, 2014, the Company has raised \$506,000 with this offering.

On June 11, 2014, the Company issued 283,243 shares of common stock pursuant to 100% conversion of a note with a principal amount of \$100,000 in relations to the conversion of the Debentures listed in Note 10.

On June 11, 2014, the Company issued 224,600 shares of common stock pursuant to 100% conversion of a convertible note payable.

On July 1, 2014, the Company issued 208,000 shares of common stock pursuant to 100% conversion of a convertible debenture payable under a 2013 private placement offering. See Note 10.

On July 1, 2014, the Company issued 681,081 shares of common stock pursuant to 100% exercise of warrants attached to the convertible debentures payable under a 2013 private placement offering. See Note 10.

On July 1, 2014, the Company issued 326,666 shares of common stock for cash proceeds of \$90,000 raised under the 2014 “best efforts” offering. See Note 11.

On July 8, 2014, the Company issued 1,379,875 shares of common stock pursuant to 100% conversion of the convertible debentures payable under a 2013 private placement offering. See Note 10.

On July 8, 2014, the Company issued 108,108 shares of common stock pursuant to 100% exercise of warrants attached to the convertible debentures payable under a 2013 private placement offering. See Note 10.

On July 8, 2014, the Company issued 560,000 shares of common stock for cash proceeds of \$140,000 raised under the 2014 “best efforts” offering. See Note 11.

On August 5, 2014, the Company issued 890,001 shares of common stock for cash proceeds of \$243,000 raised under the 2014 “best efforts” offering. See Note 11.

On August 11, 2014, the Company issued 660,000 shares of common stock for cash proceeds of \$198,000 raised under the 2014 “best efforts” offering. See Note 11.

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 September 28, 2014.

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.

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: November 12, 2014 By: */s/ Joey Parsi*

Joey Parsi

Chief Executive Officer

(Principal Executive Officer and duly authorized signatory)

