

We are aware that many of our competitors and potential competitors have greater financial and other resources, have been in business longer, have greater name recognition and are better established in the markets where our first restaurant is located and where our future restaurants will be located. Although we believe that our restaurant concept offers features and advantages not currently available elsewhere, and we have taken reasonable steps to adequately protect our proprietary concepts and other intellectual property, we cannot assure you that these companies will not seek to copy aspects of our restaurant concept, or develop similar or competing features, in the future.

Government Regulation

Our restaurant operations will be subject to licensing and regulation by state and local departments and health, sanitation, zoning and fire, and to periodic review by the state and municipal authorities for areas in which the restaurants are located. In addition, we will be subject to local land use, zoning, building, planning and traffic ordinances and regulations in the selection and acquisition of suitable sites for developing new restaurants. Delays in obtaining, or denials of, or revocation or temporary suspension of, necessary licenses or approvals could have a material adverse impact on our development of restaurants.

Our restaurant operations will also be subject to regulation under the Fair Labor Standards Act, which governs such matters as working conditions and minimum wages. An increase in the minimum wage rate or the cost of workers' compensation insurance, or changes in tip-credit provisions, employee benefit costs (including costs associated with mandated health insurance coverage), or other costs associated with employees could adversely affect our Company.

In addition, our restaurant operations will be subject to the Americans with Disabilities Act of 1990. The ADA may require us to make certain installations in our planned restaurants to meet federally and state mandated requirements.

Intellectual Property

We have filed and received a United States federal trademark registration for "GIGGLES N HUGS, INC.," "GIGGLES N HUGS," and other marks. We have registered the www.gigglesnhugs.com domain name. We consider our trademarks and other intellectual property rights to be important to our branding strategy and business success.

Personnel

As of the date of this filing, and as a result of our recent organizational establishment, we have 50 employees.

LEGAL PROCEEDINGS

St. George Investments, LLC v Giggles N' Hugs

On March 23, 2017, St. George Investments, LLC (“St. George”) served an arbitration demand and summons claiming that the Company had breached its obligations under a convertible note by preventing St. George from converting the remaining balance of the note to common stock.

On August 14, 2017, the Company and St. George entered into a settlement agreement whereby the Company agreed to deliver 7,900,000 unrestricted free-trading shares to SGI Immediately upon signing a final settlement agreement and St. George agreed to purchase an additional 1,100,000 shares of the companies restricted common stock for a purchase price of \$110,000 at \$0.10 per share. These shares shall be delivered pursuant to a conversion under the existing outstanding note. The shares had a fair value of \$.07 per share as of the settlement date, or \$553,000 in the aggregate. At the time of the settlement, the outstanding balance under the note was \$132,928 and accrued interest of \$10,818.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion 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; and
other risks and uncertainties detailed in this report.

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 under the heading “Risk Factors” in this prospectus 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. For the years 2016 and 2017 consists of a year ending January 1, 2017 and December 31, 2017.

RESULTS OF OPERATIONS***Results of Operations for the Fiscal Year Ended January 1, 2017 and December 27, 2015:***

	Fiscal Year Ended January 1, 2017	Fiscal Year Ended December 27, 2015	Increase (Decrease)	
			\$	%
Revenue:				
Net sales	\$3,023,494	\$ 3,451,772	\$(428,278)	-12 %
Costs and operating expenses:				
Cost of operations	\$2,538,968	\$ 3,082,428	\$(543,460)	-18 %
General and administrative expenses	878,847	1,380,390	(501,543)	-36 %
Other operating expenses	230,108	276,745	(46,637)	-17 %
Depreciation	306,019	387,330	(81,311)	-21 %
Loss on impairment	-	353,414	(353,414)	100 %
Total costs and operating expenses	3,953,942	5,480,307	(1,526,365)	-28 %
Loss from Operations	(930,448)	(2,028,535)	1,098,087	-54 %
Other Expenses				
Finance and interest expense	(497,714)	(113,439)	(384,275)	339 %
Gain on debt	-	74,669	(74,669)	-100%
Gain on sales of asset	5,971	-	5,971	*
Gain on lease termination	214,111	-	214,111	*
Change in fair value of derivatives	(369,861)	-	(369,861)	*
Gain on extinguishment of derivatives	190,370	-	190,370	*
Loss before provision for income taxes	(1,387,571)	(2,067,305)	679,734	-33 %
Provision (benefit) for income taxes	(616)	1,382	(1,998)	-145%
Net Loss	\$(1,386,955)	\$ (2,068,687)	\$(681,732)	33 %

*Not divisible by zero

Net Sales. During the fiscal year ended January 1, 2017, net sales reflected a drop of \$428,278, a decline of 12.4%, from the year ended December 27, 2015. Due to the major remodeling of the Century City Westfield Mall, our Century City store closed on June 30, 2016. Of the decrease in sales of \$428,278, \$555,287 relates to the closure of the Century City location. The increase of \$127,009 is due to the same store sale growth at the two locations. The Topanga and Glendale stores had increased sales of 5.3% and 5.7%, respectively.

Cost and operating expenses. Total costs and operating expenses of \$3,953,942 for the year ended January 1, 2017, reflected a substantial drop from \$5,480,307 for the year ended December 27, 2015. The decline of \$1,526,365 (28%) was due to multiple factors such as the closing of the Century City store; lower general and administrative costs; lower other operating expenses; and lower depreciation.

Cost of Operations. Cost of operations decreased by \$543,460 (18%), of which \$356,772 was attributable to the closing of the Century City store on June 30, 2016. Costs of food and other operating expenses decreased, which was offset slightly by higher labor costs.

General and Administrative costs. Total general and administrative costs decreased by \$501,543 (36%). Again, the closing of the Century City store, contributed proportionately (\$163,250), to this decline. Additionally, non-employee stock compensation was accountable of much of the remaining difference.

Depreciation and other operating expenses. Depreciation and other operating expenses declined by \$127,948 (38%), which was mostly reflected by the closing of the Century City store.

Loss on Impairment. The loss on impairment of \$353,414 that occurred in the year ended December 27, 2015, also contributed to the lower overall cost and operating expenses. There was no such impairment for the year ended January 1, 2017.

Loss from Operations. The loss from operation dropped \$1,098,087 (54%) for the year ended January 1, 2017 compared to December 27, 2015, due to the various factors previously noted.

Other Expenses. Other expenses reflected a net increase in the year ended January 1, 2017 over the year ended December 27, 2015. Finance and interest expense of \$497,714 increased by \$384,275 (339%) over the prior year, and change in the fair value of derivatives caused a loss of \$369,861. These expenses were partially offset by gains from the Century City lease termination (\$214,111), as well as the extinguishment of the derivatives (\$190,370).

Net Loss. The net loss declined from \$2,068,687 in the year ended December 27, 2015, to \$1,386,955 an improvement of \$681,732 (33%) due to the factors noted above.

Results of Operations for the Twenty-Six Weeks Ended July 2, 2017 and June 26, 2016:**COSTS AND OPERATING EXPENSES**

	For Twenty-Six Weeks Ended July 2, 2017	For Twenty-Six Weeks Ended June 26, 2016	Increase (Decrease)			
			\$		%	
Revenue:						
Net sales	\$ 1,237,527	\$ 1,710,398	(472,871.00)	-27.6	%	
Costs and operating expenses:						
Cost of operations	932,955	1,504,669	(571,714)	-38.0	%	
General and administrative expenses	1,185,556	644,118	541,438	84.1	%	
Depreciation and amortization	128,137	177,882	(49,745)	-28.0	%	
Total operating expenses	2,246,648	2,326,669	(80,021)	-3.4	%	
Loss from Operations	(1,009,121)	(616,271)	(392,850)	63.7	%	
Other income (expenses):						
Finance and interest expenses	(64,042)	(173,331)	109,289	-63.1	%	
Change in fair value of derivatives	(50,629)	-	(50,629)	*		
Gain on extinguishment of derivatives	185,604	-	185,604	*		
Loss on extinguishment of debt	(186,818)	-	(186,818)	*		
Gain on Sale of Asset	-	5,971	(5,971)	-100.0	%	
Gain on Lease Termination	-	214,111	(214,111)	-100.0	%	
Loss before provision for income taxes	(1,125,006)	(569,520)	(555,486)	97.5	%	
Provision for income taxes	(2,650)	(184)	(2,466)	1340.2	%	
Net loss	\$(1,127,656)	\$(569,704)	\$(557,952)	97.9	%	

Notes to Costs and Operating Expenses Table:

The net sales for the twenty-six weeks ended July 2, 2017 and June 26, 2016 were \$1,237,527 and \$1,710,398, respectively. The 27.6% decrease was mostly attributable to the closing of the Century City store at the end of the 2nd quarter, 2016. Despite the total decrease, the remaining operational stores in Topanga and Glendale reported an increase of \$111,810 (or 9.9%).

Cost of operations. Cost of operations of \$932,955 and \$1,504,787 for the twenty-six weeks ended July 2, 2017 and June 26, 2016, respectively. The decrease of \$571,714 (-38.0%) was mostly attributable to the closing of the Century City store at the end of the 2nd quarter, 2016. Of the total decrease the remaining operational stores in Topanga and Glendale had decreased their cost of operations by \$79,682 (or 7.9%).

General and administrative expenses. General and administrative expenses for the twenty-six weeks ended July 2, 2017 and July 26, 2016 were \$1,185,556 and \$644,118, respectively. The substantial increase of 84.1% was mostly due to the fair value of \$531,000 for warrants granted for services rendered and a \$109,096 charge relating to settlement of an outstanding payable.

Depreciation and amortization. The depreciation and amortization was \$49,745 less than the same period in the previous year. The decline was mostly due to the closing of the Century City store at the end of the second quarter of 2016.

Finance and interest expense. The total finance and operating expenses of \$64,042 and \$173,331 for the twenty-six weeks ended July 2, 2017 and June 26, 2016, respectively. The decrease of \$109,288 (-63.1%) mostly attributable to a lower debt.

Net Loss. The overall net loss of \$1,127,656 and \$569,704 for the twenty weeks ended July 2, 2017 and June 26, 2016, respectively, reflects an increase in the net loss of 97.9%. The increase in the operating loss is mostly attributable to the fair value of \$531,000 for warrants granted for services rendered and a \$109,096 charge to settlement of an outstanding payable.

LIQUIDITY AND CAPITAL RESOURCES

As of July 2, 2017, the Company has \$154,288 in cash and cash equivalents, \$25,617 in inventory, and \$16,517 in prepaid expenses and other. The following table provides detailed information about our net cash flows for all financial statement periods presented in this report.

The following table sets forth a summary of our cash flows for the twenty six weeks ended July 2, 2017 and June 26, 2016:

	For Twenty-Six Weeks Ended July 2, 2017	For Twenty-Six Weeks Ended June 26, 2016
Net cash used in operating activities	\$ (53,689)	\$ (581,386)
Net cash provided by investing activities	-	360,500
Net cash provided by financing activities	63,457	-
Net increase (decrease) in Cash	9,768	(220,886)
Cash, beginning of period	144,520	334,191
Cash, end of period	\$ 154,288	\$ 113,305

Operating activities

Net cash used in operating activities was \$53,689 for the twenty-six weeks ended July 2, 2017 compared to \$581,386 used in operating activities for the twenty-six weeks ended June 26, 2016. The significant change was mostly attributable to the promissory note settlement.

Investing activities

The cash provided by investing activities for the twenty-six weeks ended June 26, 2016 was \$360,500 which consisted of cash received for the closure of the Century City store under the lease termination agreement with Westfield and the sales of remaining fixed assets. There were no investing activities or the twenty-six weeks ended July 2, 2017.

Financing activities

Net cash provided for the twenty-six weeks ended July 2, 2017 was \$63,457 from cash receipts from investors for future common stock issuable. There were no financing activities or the twenty-six weeks ended June 26, 2016.

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.

Going Concern and Liquidity

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying condensed consolidated financial statements, during the twenty-six weeks ended July 2, 2017, the Company incurred a net loss of \$1,127,656, used cash in operations of \$53,689 and had a stockholders' deficit of \$1,604,074 as of that date. These factors raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon the Company's ability to raise additional funds and implement its business plan. The Company's independent registered public accounting firm in its report on the January 1, 2017 financial statements has raised substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

At July 2, 2017, the Company had cash on hand in the amount of \$154,288. Management estimates that the current funds on hand would be sufficient to continue operations through September 2017. Management is currently seeking additional funds through sponsorships and promotions to operate our business. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if the Company is able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stock holders, in case or equity financing.

Notes Payable

On February 12, 2013, the Company entered into a \$700,000 Promissory Note Payable Agreement 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 Note Payable accrued interest at a rate of 10% through October 15, 2015, 12% through October 31, 2017, and 15% through October 31, 2023 and matures on October 31, 2023.

On March 1, 2015, the Company and the lender renegotiated the terms of the Promissory Note and agreed to a new note with a principal balance due of \$683,316. As part of the new agreement, the Lender waived principal and interest payments for two years beginning March 1, 2015.

On August 12, 2016, the Company entered into a third amendment on its lease at The Glendale Galleria. The amendment covered several areas, including adjustment to percentage rent payable, reduced the minimum rent payable, along with the payment and principal of Promissory Note. The Promissory Note was adjusted to a balance due of \$763,261.57 from \$683,316, with zero percent interest, payable in equal monthly instalments of \$5,300 through maturity of Note on May 31, 2028. The Company imputed interest using a discount rate of 10% to determine a fair value of the note of \$443,521, resulting in a valuation discount of \$319,740. As of July 2, 2017, the balance of note payable was \$711,869, and unamortized note discount was \$283,377, with a net balance due of \$428,492.

The lender under the Note is GGP Limited Partnership (GGP). GGP is an affiliate of Glendale II Mall Associates, the lessor of the Company’s Glendale Mall restaurant location. In accordance with the note agreement, an event of default would occur if the Borrower defaults under the lease between the Company and Glendale II Mall Associates. Upon the occurrence of an event of default, the entire balance of the Note payable and accrued interest would become due and payable, and the balance due becomes subject to a default interest rate (which is 5% higher than the defined interest rate).

Convertible Notes Payable

J&N Invest LLC - On August 24, 2015, the Company entered into an unsecured Note Payable Agreement with an investor for which the Company issued a \$50,000 Convertible Note Payable, which accrues interest at a rate of 5% per annum and matures on August 31, 2016. The Lender may also convert all or a portion of the Note Payable at any time into shares of common stock at a price of \$0.10 per share.

Recent Accounting Pronouncements

See Note 3 of the consolidated financial statements for discussion of recent accounting pronouncements.

Critical Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Note 1 to the Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. Estimates are used for, but not limited to, impairment analyses, accounting for contingencies and equity instruments issued for services. Actual results could differ materially from those estimates. The following critical accounting policies are impacted significantly by judgments, assumptions, and estimates used in the preparation of the Consolidated Financial Statements.

Long-Lived Assets

Our management regularly reviews property, equipment and other long-lived assets, including identifiable amortizing intangibles, for possible impairment. This review occurs quarterly or more frequently if events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. If there is indication of impairment of property and equipment or amortizable intangible assets, then management prepares an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. The fair value is estimated at the present value of the future cash flows discounted at a rate commensurate with management's estimates of the business risks. Quarterly, or earlier, if there is indication of impairment of identified intangible assets not subject to amortization, management compares the estimated fair value with the carrying amount of the asset. An impairment loss is recognized to write down the intangible asset to its fair value if it is less than the carrying amount. Preparation of estimated expected future cash flows is inherently subjective and is based on management's best estimate of assumptions concerning expected future conditions.

Management believes that the accounting estimate related to impairment of our long lived assets, including our trademark license and trademarks, is a “critical accounting estimate” because: (1) it is highly susceptible to change from period to period because it requires management to estimate fair value, which is based on assumptions about cash flows and discount rates; and (2) the impact that recognizing an impairment would have on the assets reported on our balance sheet, as well as net income, could be material. Management’s assumptions about cash flows and discount rates require significant judgment because actual revenues and expenses have fluctuated in the past and we expect they will continue to do so.

Stock-Based Compensation

The Company periodically issues stock options and warrants to employees and non-employees in non-capital raising transactions for services and for financing costs. The Company accounts for stock option and warrant grants issued and vesting to employees based on the authoritative guidance provided by the Financial Accounting Standards Board whereas the value of the award is measured on the date of grant and recognized over the vesting period. The Company accounts for stock option and warrant grants issued and vesting to non-employees in accordance with the authoritative guidance of the Financial Accounting Standards Board whereas the value of the stock compensation is based upon the measurement date as determined at either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete. Non-employee stock-based compensation charges generally are amortized over the vesting period on a straight-line basis. In certain circumstances where there are no future performance requirements by the non-employee, option grants are immediately vested and the total stock-based compensation charge is recorded in the period of the measurement date.

The fair value of the Company’s common stock option grants is estimated using the Black-Scholes Option Pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the common stock options, and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes Option Pricing model, and based on actual experience. The assumptions used in the Black-Scholes Option Pricing model could materially affect compensation expense recorded in future periods.

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.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

From time to time, the Company has received advances from certain of its officers to meet short term working capital needs. These advances may not have formal repayment terms or arrangements. During the last three years, there have been no advances from related persons.

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GIGGLES N' HUGS, INC.**CONDENSED CONSOLIDATED BALANCE SHEETS**

	July 2, 2017 (Unaudited)	January 1, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 154,288	\$ 144,520
Inventory	25,617	20,331
Prepaid expenses, other	16,517	13,806
Total current assets	196,422	178,657
Fixed assets:		
Total fixed assets, net	865,991	994,128
Other assets	2,620	2,620
Total assets	\$ 1,065,033	\$ 1,175,405
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$ 543,610	\$ 610,925
Incentive from lessor – current portion	94,756	87,420
Note payable from lessor, current portion net of discount of \$283,377 and \$35,094, respectively	21,734	21,544
Accrued expenses	501,836	328,952
Deferred revenue	11,630	24,159
Promissory note payable and accrued interest	-	193,340
Convertible note payable and accrued interest,	50,000	151,383
Derivative liability	-	357,411
Total current liabilities	1,223,566	1,775,134
Long-term liabilities:		
Incentive from lessor – long-term	603,129	653,008
Note payable - lessor	406,758	411,173
Deferred gain	435,654	429,115
Total long-term liabilities	1,445,541	1,493,296
Total liabilities	2,669,107	3,268,430
Stockholders' deficit:		
	134,922	67,933

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Common stock, \$0.001 par value, 1,125,000,000 shares authorized, 134,922,251 and 67,934,205 shares issued and outstanding as of July 2, 2017 and January 1, 2017, respectively

Common stock issuable (9,297,619 and 405,556 shares as of July 2, 2017 and January 1, 2017, respectively)	846,535	218,535
Additional paid-in capital	9,151,365	8,229,747
Accumulated deficit	(11,736,896)	(10,609,240)
Total stockholders' deficit	(1,604,074)	(2,093,025)

Total liabilities and stockholders' deficit	\$1,065,033	\$1,175,405
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See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Thirteen Weeks Ended July 2, 2017	Thirteen Weeks Ended June 26, 2016	Twenty -Six Weeks Ended July 2, 2017	Twenty -Six Weeks Ended June 26, 2016
Revenue				
Net sales	\$575,824	\$831,464	\$1,237,527	\$1,710,398
Costs and operating expenses				
Cost of operations	429,164	734,151	932,955	1,504,669
General and administrative expenses	249,822	319,926	1,185,556	644,118
Depreciation and amortization	64,068	88,741	128,137	177,882
Total operating expenses	743,054	1,142,818	2,246,648	2,326,669
Loss from Operations	(167,230)	(311,354)	(1,009,121)	(616,271)
Other income (expenses):				
Finance and interest expense	(14,772)	(84,378)	(64,042)	(173,331)
Change in fair value of derivatives liability	-	-	(50,629)	-
Gain on extinguishment of derivative liability	-	-	185,604	-
Loss on extinguishment of debt	(186,818)	-	(186,818)	-
Gain on sale of asset	-	5,971	-	5,971
Gain on lease termination	-	214,111	-	214,111
Loss before provision for income taxes	(368,820)	(175,650)	(1,125,006)	(569,520)
Provision for/benefit from income taxes	(2,650)	616	(2,650)	(184)
Net loss	\$(371,470)	\$(175,034)	\$(1,127,656)	\$(569,704)
Net loss per share – basic and diluted	\$-	\$-	\$(0.01)	\$(0.01)
Weighted average number of common shares outstanding – basic and diluted	134,355,584	42,806,033	120,473,746	42,367,492

See Accompanying Notes to Condensed Consolidated Financial Statements.

GIGGLES N' HUGS, INC.**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT****(Unaudited)**

	Common Stock		Additional	Common	Accumulated	Total
	Shares	Amount	Paid in Capital	Stock Issuable	Deficit	Stockholders' Deficit
Balance January 1, 2017	67,934,205	\$67,933	\$8,229,747	\$218,535	\$(10,609,240)	\$(2,093,025)
Shares issued for employees compensation	10,170,000	10,170	18,300			28,470
Shares issued to settle accounts payable	2,100,000	2,100	243,900			246,000
Shares issued for convertible notes	54,118,046	54,119	218,728			272,847
Cash received for stock issuable				75,000		75,000
Shares issued for professional services	600,000	600	9,690			10,290
Fair value of warrants granted for services			531,000			531,000
Stock issuable to settle the convertible notes			(100,000)	553,000		453,000
Net loss					(1,127,656)	(1,127,656)
Balance July 2, 2017	134,922,251	\$134,922	\$9,151,365	\$846,535	\$(11,736,896)	\$(1,604,074)

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Twenty-Six Weeks ended July 2, 2017	Twenty-Six Weeks ended June 26, 2016
Cash flows from operating activities		
Net loss	\$(1,127,656)	\$(569,704)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	128,137	177,882
Amortization of debt discount	-	154,658
Gain on sales of fixed assets	-	(5,971)
Gain on lease termination	-	(214,111)
Stock-based compensation	28,470	-
Loss on stock issuance for payable settlement	109,096	-
Warrants vested for services	531,000	31,000
Interest and fees included in note payable	21,449	-
Shares issued for services	10,290	30,170
Gain on extinguishment of derivative liability	(185,604)	-
Change in fair value of derivative liability	50,629	-
Promissory note settlement	186,818	-
Changes in operating assets and liabilities:		
Increase in prepaid expenses and deposits	(2,711)	(3,890)
(Increase) decrease in inventory	(5,286)	10,553
Increase in accounts payable	69,589	179,976
Decrease in lease incentive liability	(42,543)	(61,653)
Increase (decrease) increase in accrued expenses	180,623	(320,676)
(Decrease) increase in deferred revenue	(12,529)	10,380
Amortization of deferred gain	6,539	-
Net cash used in operating activities	(53,689)	(581,386)
Cash flows from investing activities		
Provided from lease termination	-	350,000
Provided from sales or purchase of fixed assets	-	10,500
Net cash provided by investing activities	-	360,500
Cash flows from financing activities		
Payments on promissory note payable	(11,543)	-
Proceeds from common stock issuable	75,000	-
Net cash provided by financing activities	63,457	-

NET INCREASE (DECREASE) IN CASH	9,768	(220,886)
CASH AT BEGINNING OF PERIOD	144,520	334,191
CASH AT END OF PERIOD	\$154,288	\$ 113,305
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$-	\$ 26,834
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Shares issued to settle convertible notes payable	\$272,847	\$ -
Reclass of notes payable to accrued interest	3,125	-
Shares issued to settle payable	\$136,904	\$ 31,500

See Accompanying Notes to Condensed Consolidated Financial Statements.

GIGGLES N' HUGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Twenty-Six Weeks ended July 2, 2017 and June 26, 2016

(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.

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. For accounting purposes, the acquisition of GNH by GIGL Inc. has been recorded as a reverse merger. Giggles N Hugs restaurant concept brings together high-end, organic food with the play elements and entertainment for children. Giggles N Hugs offers an upscale, family-friendly atmosphere with a play area dedicated to children ages 10 and younger with nightly entertainment, such as magic shows, concerts, puppet shows, as well as activities and games which include face painting, dance parties, karaoke, and arts and crafts.

The Company adopted a 52/53 week fiscal year ending on the Sunday closest to December 31st for financial reporting purposes. Fiscal year 2017 and 2016 consists of a year ending December 31, 2017 and January 1, 2017.

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 (GAAP) 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 January 1, 2017 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. The condensed consolidated balance sheet as of January 1, 2017 included herein was derived from the audited consolidated financial statements as of that date, but does not include all disclosures, including notes, required by GAAP.

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

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NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying consolidated financial statements, during the twenty-six weeks ended July 2, 2017, the Company incurred a net loss of \$1,127,656, used cash in operations of \$53,689, and had a stockholders' deficit of \$1,604,074 as of that date. These factors raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon the Company's ability to raise additional funds and implement its business plan. In addition, the Company's independent registered public accounting firm in its report on the January 1, 2017 financial statements has raised substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company had cash on hand in the amount of \$154,288 as of July 2, 2017. Management estimates that the current funds on hand will be sufficient to continue operations through September 2017. Management is currently seeking additional funds, primarily through the issuance of debt and equity securities for cash to operate our business. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if the Company is able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stock holders, in case or equity financing.

Principles of consolidation

The consolidated financial statements include the accounts of Giggles N Hugs, Inc., GNH, Inc., GNH CC, Inc. for restaurant operations in Westfield Mall in Century City, California (which was closed June 30, 2016 due to a complete remodel of the Mall), 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. Intercompany balances and transactions have been eliminated. Giggles N Hugs, Inc., GNH, Inc., GNH CC, 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 revenues and expenses during the reporting period. Estimates and assumptions used by management including assumptions made in impairment analysis of fixed assets, accruals of potential liabilities, valuation of derivative liability and equity securities issued for services and realization of deferred tax assets. Actual results could differ from those estimates.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the condensed consolidated statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

The Company uses Level 2 inputs for its valuation methodology for the warrant derivative liabilities as their fair values were determined by using a probability weighted average Black-Scholes-Merton pricing model based on various assumptions. The Company's derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives.

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 options and warrants. Loss per common share has been computed using the weighted average number of common shares outstanding during the year. For the period ended July 2, 2017 and June 26, 2016, the assumed conversion of convertible notes payable and the exercise of stock warrants are anti-dilutive due to the Company's net losses and are excluded in determining diluted loss per share.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted only in annual reporting periods beginning after December 15, 2016, including interim periods therein. Entities will be able to transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. The Company is in the process of evaluating the impact of ASU 2014-09 on the Company's financial statements and disclosures.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases. ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is in the process of evaluating the impact of ASU 2016-02 on the Company's financial statements and disclosures. The Company anticipates that this will add significant liabilities to the balance sheet.

In July 2017, the FASB issued Accounting Standards Update No. 2017-11, Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features; (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception ("ASU 2017-11"). ASU 2017-11 allows companies to exclude a down round feature when determining whether a financial instrument (or embedded conversion feature) is considered indexed to the entity's own stock. As a result, financial instruments (or embedded conversion features) with down round features may no longer be required to be accounted for as derivative liabilities. A company will recognize the value of a down round feature only when it is triggered and the strike price has been adjusted downward. For equity-classified freestanding financial instruments, an entity will treat the value of the effect of the down round as a dividend and a reduction of income available to common shareholders in computing basic earnings per share. For convertible instruments with embedded conversion features containing down round provisions, entities will recognize the value of the down round as a beneficial conversion discount to be amortized to earnings. ASU 2017-11 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is

permitted. The guidance in ASU 2017-11 can be applied using a full or modified retrospective approach. The adoption of ASU 2017-11 is not expected to have any impact on the Company's financial statement presentation or disclosures.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at:

	July 2, 2017	January 1, 2017
Leasehold improvements	\$ 1,889,027	\$ 1,889,027
Fixtures and equipment	60,310	60,310
Computer software and equipment	264,890	264,890
Property and equipment, total	2,214,227	2,214,227
Less: accumulated depreciation	(1,348,236)	(1,220,099)
Property and equipment, net	\$ 865,991	\$ 994,128

Depreciation and amortization expenses for the thirteen weeks and twenty-six weeks ended July 2, 2017 were \$64,069 and \$128,137, respectively, and for the thirteen weeks and twenty-six weeks ended June 26, 2016 were \$88,741 and \$177,882, respectively. Repair and maintenance expense for the thirteen weeks and twenty-six weeks ended July 2, 2017 were \$18,238 and \$33,780, respectively, and for thirteen weeks and twenty-six weeks ended June 26, 2016 were \$22,833 and \$51,826, respectively.

NOTE 5 – NOTE PAYABLE, LESSOR

On February 12, 2013, the Company entered into a \$700,000 Promissory Note Payable Agreement 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 Note Payable accrued interest at a rate of 10% through October 15, 2015, 12% through October 31, 2017, and 15% through October 31, 2023 and matures on October 31, 2023.

On March 1, 2015, the Company and the lender renegotiated the terms of the Promissory Note and agreed to a new note with a principal balance due of \$683,316. As part of the new agreement, the Lender waived principal and interest payments for two years beginning March 1, 2015.

On August 12, 2016 the Company entered into a third amendment on its lease at The Glendale Galleria. The amendment covered several areas, including adjustment to percentage rent payable, reduced the minimum rent payable, along with the payment and principal of Promissory Note. The Promissory Note was adjusted to a balance due of \$763,261 from \$683,316, with no interest, payable in equal monthly installments of \$5,300 through maturity of Note on May 31, 2028. The Company imputed interest using a discount rate of 10% to determine a fair value of the note of \$443,521, resulting in a valuation discount of \$319,740. As of July 2, 2017, the balance of note payable was \$711,869, and unamortized note discount was \$283,377, with a net balance due of \$428,492.

The exchange of the notes in fiscal 2016 was treated as a debt extinguishment as the change in terms constituted more than a 10% change in the fair value of the original note, and the difference between the fair value of the new note and the old note (including eliminating all remaining unamortized discount) of \$220,668 was treated as a gain on debt extinguishment. The Company determined that since the GGP Promissory Note and the related revision of the lease were agreed to at the same time, that the change in the lease payment terms and the reduced rent, and the issuance of the new note are directly related. As such the gain on the termination of the note of \$220,668 was deferred, and is being amortized over the remaining life of the lease as an adjustment to rent expense.

The lender under the Note is GGP Limited Partnership (GGP). GGP is an affiliate of Glendale II Mall Associates, the lessor of the Company’s Glendale Mall restaurant location. In accordance with the note agreement, an event of default would occur if the Borrower defaults under the lease between the Company and Glendale II Mall Associates. Upon the occurrence of an event of default, the entire balance of the Note payable and accrued interest would become due and payable, and the balance due becomes subject to a default interest rate (which is 5% higher than the defined interest rate). As of July 2, 2016, the Company was delinquent in its payments to GGP under the note, but has subsequently brought the note current.

NOTE 6 – CONVERTIBLE NOTE PAYABLE

A summary of convertible debentures payable as of July 2, 2017 and January 1, 2017 is as follows:

	July 2, 2017	January 1, 2017
Iconic Holdings, LLC	\$-	\$84,191
J&N Invest LLC	50,000	50,000
Accrued interest	-	17,192
Total Convertible Notes	50,000	151,383
Net Convertible Notes	\$50,000	\$151,383

Iconic Holdings, LLC - On December 21, 2015, the Company issued an 8% unsecured convertible promissory note in favor of Iconic Holdings, LLC, in the principal sum of \$161,250. The note was subject to an original issue discount of \$11,250, plus another \$11,250 retained by the lender for fees and costs, resulting in net proceeds to the Company of \$138,500. The note carried a guaranteed 10% interest rate per annum, matured on December 21, 2016 and was subject to pre-payment penalties. The note may be converted, in whole or in part, at any time at the option of the holder into the Registrant's common stock at a price per share equal to 65% of the lowest volume weighted average price of the Company's common stock during the 10 consecutive trading days prior to the date on which Holder elects to convert all or part of the note. The conversion floor price was set at \$0.08 per share.

On July 11, 2016, the Company modified the conversion feature of the Iconic note eliminating the conversion floor. The Company determined that since the conversion floor had been eliminated, that the Company could no longer determine if it had enough authorized shares to fulfill the conversion obligation. As such, the Company determined that the conversion feature created a derivative liability (see Note 9).

During the twenty-six weeks ended July 2, 2017, the Company converted the remaining balance of the principal into 38,457,435 shares of common stock at average conversion price \$0.00259 per share. Upon extinguishment of note, the derivative was eliminated.

J&N Invest LLC - On August 24, 2015, the Company entered into an unsecured Note Payable Agreement with an investor for which the Company issued a \$50,000 Convertible Note Payable, which accrues interest at a rate of 5% per annum and matured on August 31, 2016. The Lender may also convert all or a portion of the Note Payable at any time into shares of common stock at a price of \$0.10 per share. As the market price of the stock on the date of issuance was \$0.23, the Company recognized a debt discount at the date of issuance in the amount of \$50,000 related to the fair value of the beneficial conversion feature. The discount was fully amortized as of January 1, 2017.

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NOTE 7 – PROMISSORY NOTE

On December 18, 2015, the Company issued a six month unsecured promissory note in the principal sum of \$265,000 in favor of St. George Investments, LLC, pursuant to the terms of a securities purchase agreement of the same date. The Note went into default when the Company failed to make payment on the due date. Consequently, on July 8, 2016, the Company entered into an Exchange Agreement with St. George Investments, LLC, to replace the original Promissory Note with a new Convertible Promissory Note (“Note”). The Note carries a Conversion clause that allows the Holder to have a cashless conversion into shares of Common Stock for all or part of the principal, at a price equal to the average market price for 20 days prior to the conversion. The company determined that since the conversion floor had no limit to the conversion price, that the company could no longer determine if it had enough authorized shares to fulfill the conversion obligation. As such, the Company determined that the conversion feature created a derivative at the date of the modification.

During the period the Holder converted \$48,914 of debt into 15,660,611 shares of Common Stock. In addition, the Company paid \$7,517 of the principal balance. On March 23, 2017, St. George Investments, LLC (“St. George”) served an arbitration demand and summons claiming that the Company had breached its obligations under a convertible note by preventing St. George from converting the remaining balance of the note to common stock. The parties disagreed as to the conversion price set in the note agreement due to execution by the parties of different versions of the document. St. George claimed for additional damages. The Company believed these claims lacked merit and the Company retained counsel to vigorously defend this action. Effective May 3, 2017, the Company counter-sued for full damages for breaching the contract, claiming mistakes, rescission, breach of the covenant of good faith and fair dealing and unjust enrichment.

On August 14, 2017, the Company and St. George entered into a settlement agreement whereby the Company agreed to deliver 7,900,000 unrestricted free-trading shares to SGI Immediately upon signing a final settlement agreement and St. George agreed to purchase an additional 1,100,000 shares for a purchase price of \$110,000 at \$0.10 per share.

These shares shall be delivered pursuant to a conversion under the existing outstanding note. The shares had a fair value of \$.07 per share as of the settlement date, or \$553,000 in the aggregate. At the time of the settlement, the outstanding balance under the note was \$132,928 and accrued interest of \$10,818.

The company considered the settlement as a debt extinguishment as the consideration to be issued was greater than 10% of the debt at the date of the modification. As such the Company recorded the fair value of the shares to be issued, and recognized a loss on the extinguishment of the aggregate face value of the note and accrued interest of \$143,746 and the remaining value of the derivative liability of \$222,436, resulting in a loss on extinguishment of \$186,818. The Company determined that it was appropriate to record this loss as of July 2, 2017) as it related to outstanding claims that were due at that time, with the ultimate settlement becoming known prior to filing of the 10Q.

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NOTE 8 – BUSINESS LOAN AND SECURITY AGREEMENT

In August 2015, the Company entered into a Business Loan and Security Agreement with American Express Bank, which allows the Company to borrow up to \$174,000. The loan originally matured in August 2016 but will remain in effect for successive one-year periods unless terminated by either party. The loan is secured by credit card collections from the Company's store operations. The agreement provides that the Company will receive an advance of up to \$180,000 at the beginning of each fiscal month, and requires the Company to repay the loan from the credit card deposits it receives from its customers. Assuming the balance has been paid off by the end of the month, the Company will receive another advance up to the face amount of the note at the beginning of the next fiscal month.

The loan requires a loan fee of 0.5% of the outstanding balance as of each disbursement date. At July 2, 2017 and January 1, 2017, \$149,917 and \$136,629 was outstanding and is included in accrued expenses in the accompanying balance sheets.

NOTE 9 - DERIVATIVE LIABILITY

Under authoritative guidance used by the FASB on determining whether an instrument (or embedded feature) is indexed to an entity's own stock, instruments which do not have fixed settlement provisions are deemed to be derivative instruments. The Company has issued certain convertible notes whose conversion price is based on a future market price. However, since the number of shares to be issued is not explicitly limited, the Company is unable to conclude that enough authorized and unissued shares are available to share settle the conversion option. The result is that the conversion option is classified as a liability and bifurcated from the debt host and accounted for as a derivative liability in accordance with ASC 815 and will be re-measured at the end of every reporting period with the change in value reported in the statement of operations.

The fair value of the derivative liability related to the St. George note was determined to be \$238,538 at January 1, 2017. During 2017, and through April 2, 2017, the Company settled principal balance amounting to \$48,914. As a result, the Company extinguished the fair value of the corresponding Derivative Liability prior to conversion/payment and recorded a gain on settlement of \$66,731. At April 2, 2017, the Company determined the FV of the remaining DL to be \$222,346. As a result, the Company recorded a cost of \$50,629 to account for the change in FV between the reporting periods. After the conversions through April 2, 2017, the Company and St. George had a dispute as to ultimate settlement of this obligation. On August 14, 2017, the Company and St. George agreed to settle the outstanding amount of convertible notes due for the issuance of 7,900,000 shares of common stock. The settlement was accounted for as a debt extinguishment. As such, given that the debt was extinguished, the remaining associated derivative liability of \$222,346 was also extinguished was included in the calculation of loss on debt extinguishment.

The fair value of the derivative liability related to the Iconic note was determined to be \$118,873 at January 1, 2017. In January 2017, the lender converted all outstanding principal and interest due him in exchange for 38,457,435 shares of common stock. As a result, the Company extinguished the recorded derivative liability of \$118,873 and recorded as a gain on extinguishment.

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NOTE 10 – COMMON STOCK

Issuance of Common Stock

During the twenty-six weeks ended July 2, 2017, the Company granted and issued to officers and employees 10,170,000 shares of restricted common stock with a fair value of \$28,470, and a non-employee 600,000 shares with a fair value of \$10,290 based on the fair value of the shares on the date of grant for services rendered.

During the twenty-six weeks ended July 2, 2017, the Company issued 2,100,000 shares of common stock in settlement of an accounts payable amounting to \$138,000. The fair value of the shares issued was \$246,000 based on the fair value of the shares on the date of settlement resulting in an additional cost to the Company of \$109,096.

During the twenty-six weeks ended July 2, 2017, the Company received \$75,000 from the sales of 992,602 shares of stock. Such shares have not yet been issued and warrants to acquire 357,142 shares of common stock at an exercise price of \$0.12 per share that expire in June 2020.

During the twenty-six weeks ended July 2, 2017, the Company issued total of 54,118,046 shares of its common stock for conversion of convertible notes in the amount of \$172,847 (see Note 6 and 7).

Employee Stock Options

The following table summarizes the changes in the options outstanding at April 2, 2017, 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.

	Stock Options	Weighted Average Exercise Price
Outstanding, January 1, 2017	115,000	\$ 4.50
Granted	-	-
Exercised	-	-

Outstanding, July 2, 2017	115,000	\$ 4.50
Exercisable, July 2, 2017	115,000	\$ 4.50

As of July 2, 2017, the stock options had no intrinsic value.

There were no options granted during the fiscal quarter ended July 2, 2017, and there was no stock-based compensation expense in connection with options granted to employees recognized in the consolidated statement of operations for the twenty-six weeks ended July 2, 2017.

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NOTE 10 – COMMON STOCK (CONTINUED)**Warrants**

The following table summarizes the changes in the warrants outstanding at July 2, 2017, and the related prices.

A summary of the Company's warrants as of July 2, 2017 is presented below:

	Warrants	Weighted Average Exercise Price
Outstanding, January 1, 2017	606,500	\$ 0.13
Granted	5,507,143	0.10
Exercised	-	-
Outstanding, July 2, 2017	6,113,643	\$ 0.11
Exercisable, July 2, 2017	6,113,643	\$ 0.11

Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
\$0.01 ~ \$0.15	6,113,643	\$ 0.11	4.55	6,113,643	\$ 0.11
	6,113,643		4.55	6,113,643	

On May 17, 2016, GIGL entered into a Strategic Alliance Agreement with Kiddo, Inc., a Florida corporation ("consultant") whereby consultant will provide marketing and branding services as well as introductions to potential strategic partners and investors.

As consideration for consultant's services pursuant to the Strategic Alliance Agreement, GIGL agreed to issue to consultant a warrant to purchase up to 4,400,000 shares of GIGL's common stock at an exercise price of \$0.075 per share, which warrant vests in increments based upon the achievement of certain milestones. As of January 1, 2017, 440,000 of these warrants with a fair value of \$31,000 were deemed to have been achieved and are included in the table of outstanding warrants above. At July 2, 2017, the achievement of the corresponding milestones for the

remaining warrants to acquire 3,960,000 has been determined to be remote or undeterminable, as such, the warrants have not been included as outstanding in the table above.

During the twenty-six weeks ended July 2, 2017, the Company entered into agreements to issue warrants to acquire 5,150,000 shares of common stock for celebrity services to promote the Company's business. The warrants were fully vested upon issuance, expire 5 years from the date of issuance, and 5,000,000 of the warrants are exercisable at \$0.10 per share and 150,000 of the warrants are exercisable at \$0.20 per share. The total fair value of these warrants at grant date was \$531,000 using the Black-Scholes Option Pricing model with the following assumptions: life of 5 years; risk free interest rate of 1.73%; volatility of 350% and dividend yield of 0%.

NOTE 11 – 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 liabilities are recorded to the extent it exceeds minimum base rent per the lease agreement. Rent expense for the Company's restaurant operating leases was \$100,773 and \$163,319 for the thirteen weeks ended July 2, 2017 and June 26, 2016, respectively, and \$202,363 and \$261,406 for the twenty-six weeks ended July 2, 2017 and July 26, 2016, respectively.

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 \$506,271 and \$475,000 were initially reimbursed Topanga and Glendale by its landlords, respectively, 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.

On August 12, 2016, the Company entered into a third amendment on its lease at The Glendale Galleria. The amendment covered several areas, including adjustment to percentage rent payable, reduced the minimum rent payable and payment and principal of the Promissory Note payable to GGP which resulted in an aggregate gain of \$455,287 which has been deferred, and will be amortized on the straight-line basis over the remaining life of the lease as an adjustment to rent expense. During the year ended January 1, 2017, \$26,172 of the deferred gain was amortized and offset to rent expense, resulting in a remaining deferred gain balance of \$429,115 as of January 1, 2017. During the twenty-six weeks ended July 2, 2017, an additional adjustment of outstanding rent of \$37,937 was added to the deferred gain and will be amortized on the straight-line basis. During the twenty-six weeks ended July 2, 2017, \$31,398 of the deferred gain was amortized and offset to rent expense, resulting in a remaining deferred gain balance of \$435,654 as of July 2, 2017.

The balance of the incentive from lessor as of July 2, 2017 and January 1, 2017, were \$697,885 and \$740,428, and included deferred rent of \$126,104 and \$117,056, respectively. As of July 2, 2017, \$94,756 of the incentive from lessor was current and \$603,129 was long term. Amortization of the incentive from lessor was \$21,679 and \$33,479 for the thirteen weeks ended July 2, 2017 and June 26, 2016, respectively, and \$42,543 and \$61,653 for twenty-six weeks ended July 2, 2017 and June 26, 2016, respectively.

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NOTE 12 – COMMITMENTS AND CONTINGENCIES

Litigation

The Company entered into an agreement settling all claims with St. George on August 14, 2017 pursuant to a confidential settlement agreement. Subject to the execution of documents memorializing the settlement terms, the Company agreed to convert the outstanding balance of St. George's note into 7,900,000 shares of common stock (see Note 7) and St. George agreed to purchase an additional 1,100,000 shares for a purchase price of \$110,000 at \$0.10 per share.

NOTE 13 – SUBSEQUENT EVENTS

On August 1, 2017, the Company issued to a consultant 745,000 unrestricted shares of common stock at fair value of \$52,150 for services rendered.

The Company entered into an agreement settling all claims with St. George on August 14, 2017 pursuant to a confidential settlement agreement. Subject to the execution of documents memorializing the settlement terms, the Company agreed to convert the outstanding balance of St. George's note into 7,900,000 shares of common stock (see Note 7) and St. George agreed to purchase an additional 1,100,000 shares for a purchase price of \$110,000 at \$0.10 per share.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

Giggles N' Hugs, Inc.

Los Angeles, California

We have audited the accompanying consolidated balance sheets of Giggles N' Hugs, Inc. and subsidiaries as of January 1, 2017 and December 27, 2015 and the related consolidated statements of operations, stockholders' deficit and cash flows for the fiscal periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that we considered appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Giggles N' Hugs, Inc. and subsidiaries as of January 1, 2017 and December 27, 2015, and the results of their operations and their cash flows for the fiscal periods then ended, in conformity with generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has experienced recurring operating losses and negative operating cash flows, and has a stockholders' deficit as of January 1, 2017. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

WEINBERG & COMPANY, P.A.

Los Angeles, California

April 14, 2017

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GIGGLES N HUGS, INC.**CONSOLIDATED BALANCE SHEETS**

	January 1, 2017	December 27, 2015
Assets		
Current assets:		
Cash and equivalents	\$ 144,520	\$ 334,191
Inventory	20,331	37,660
Prepaid expenses and other	13,806	26,919
Total current assets	178,657	398,770
Fixed assets, net of accumulated depreciation and amortization of \$1,220,099 and \$1,485,421	994,128	1,729,836
Other assets	2,620	32,620
Total assets	\$ 1,175,405	\$ 2,161,226
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$ 610,925	\$ 554,229
Incentive from lessor – current portion	87,420	134,645
Note payable - lessor, net of discount \$14,528 and \$35,094 as of January 1, 2017 and December 27, 2015, respectively	21,544	648,222
Accrued expenses	328,952	396,568
Deferred revenue	24,159	52,335
Promissory note payable and accrued interest, net of discount of \$0 and \$60,306 as of January 1, 2017 and December 27, 2015, respectively	193,340	204,694
Convertible note payable and accrued interest, net of debt discount of \$0 and \$139,471 as of January 1, 2017 and December 27, 2015, respectively	151,383	71,779
Derivative liability	357,411	-
Total current liabilities	1,775,134	2,062,472
Long-term liabilities:		
Incentive from lessor – long-term	653,008	1,063,453
Note payable - lessor, net of discount of \$276,025	411,173	-
Deferred gain	429,115	-
Total long-term liabilities	1,493,296	1,063,453
Total liabilities	3,268,430	3,125,925
Stockholders' deficit:		

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Common stock, \$0.001 par value, 1,125,000,000 shares authorized, 67,934,205 and 41,821,033 shares issued and outstanding as of January 1, 2017 and December 27, 2015, respectively	67,933	41,820
Common stock payable (405,556 and 555,556 shares as of January 1, 2017 and December 27, 2015, respectively)	218,535	245,498
Additional paid-in capital	8,229,747	7,970,268
Accumulated deficit	(10,609,240)	(9,222,285)
Total stockholders' deficit	(2,093,025)	(964,699)
 Total liabilities and stockholders' deficit	 \$1,175,405	 \$2,161,226

See Accompanying Notes to Consolidated Financial Statements.

GIGGLES N HUGS, INC.**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Fiscal Year Ended January 1, 2017	Fiscal Year Ended December 27, 2015
Revenue		
Net sales	\$3,023,494	\$3,451,772
Costs and operating expenses		
Cost of operations	2,538,968	3,082,428
General and administrative expenses	878,847	1,380,390
Other operating expenses	230,108	276,745
Depreciation and amortization	306,019	387,330
Loss on impairment	-	353,414
Total costs and operating expenses	3,953,942	5,480,307
Loss from Operations	(930,448)	(2,028,535)
Other Income (Expenses):		
Finance and interest expense	(497,714)	(113,439)
Gain on debt	-	74,669
Gain on sales of asset	5,971	-
Gain on lease termination	214,111	-
Change in fair value of derivatives	(369,861)	-
Gain on extinguishment of derivatives	190,370	-
Loss before provision for income taxes	\$(1,387,571)	\$(2,067,305)
Provision (benefit) for income taxes	(616)	1,382
Net loss	\$(1,386,955)	\$(2,068,687)
Net loss per share – basic and diluted	\$(0.03)	\$(0.06)
Weighted average number of common shares outstanding – basic and diluted	43,786,858	35,745,779

See Accompanying Notes to Consolidated Financial Statements.

GIGGLES N HUGS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

	Common Stock		Additional	Common	Accumulated	Total
	Shares	Amount	Paid in	Stock	Deficit	Stockholders'
			Capital	Payable		Deficit
Balance, December 28, 2014	33,563,830	\$33,563	\$6,301,241	\$668,114	\$(7,153,598)	\$(150,680)
Shares issued for professional services	1,293,333	1,293	299,792	40,462		341,547
Shares issued to settle the accounts payable	423,268	422	67,860			68,282
Shares issued for cash proceeds	3,070,776	3,071	421,414	25,000		449,485
Bonus shares issued to investors	910,000	910	199,290			200,200
Shares issued upon conversion of note payable	555,223	556	49,444			50,000
Shares issued previously reflected as stock payable	1,597,982	1,598	486,480	(488,078)		-
Fair value of conversion features			145,154			145,154
Shares issued upon exercise of warrants	406,621	407	(407)			-
Net loss					(2,068,687)	(2,068,687)
Balance, December 27, 2015	41,821,033	41,820	7,970,268	245,498	(9,222,285)	(964,699)
Shares issued for professional services	497,500	498	37,272			37,770
Shares issued to settle accounts payable	525,000	525	30,975			31,500
Shares issued for stock payable	150,000	150	26,813	(26,963)		-
Warrants vested for professional services			31,000			31,000
Shares issued for convertible notes	24,940,672	24,940	133,419			158,359
Net loss					(1,386,955)	(1,386,955)
Balance January 1, 2017	67,934,205	\$67,933	\$8,229,747	\$218,535	\$(10,609,240)	\$(2,093,025)

See Accompanying Notes to Consolidated Financial Statements.

GIGGLES N HUGS, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Fiscal Year Ended January 1, 2017	Fiscal Year Ended December 27, 2015
Cash flows from operating activities		
Net loss	\$(1,386,955)	\$(2,068,687)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	306,019	367,549
Write off of intangibles	-	23,881
Amortization of debt discount	215,762	67,261
Shares issued for services	37,770	341,547
Gain on note payable modification	-	(69,228)
Gain on sales of fixed assets	(5,971)	-
Gain on lease termination	(214,111)	-
Warrants vested for service	31,000	-
Loss on impairment	-	353,414
Interest and fees included in promissory note payable	47,673	(16,135)
Bonus shares issued to investors	-	200,200
Amortization of deferred gain	(26,172)	-
Derivative liability recorded upon extinguishment of promissory note payable	177,920	-
Gain on extinguishment of derivative liability	(190,370)	-
Change in fair value of derivative liability	369,861	-
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses and other	13,113	(3,887)
Decrease in other assets	30,000	9,360
Decrease (increase) in inventory	17,329	(263)
Increase in accounts payable	253,183	190,003
Decrease in incentive from lessor	(98,785)	(117,744)
(Decrease) increase in accrued expenses	(67,616)	66,070
(Decrease) increase in deferred revenue	(28,176)	8,897
Net cash used in operating activities	(518,526)	(647,762)
Cash flows from investing activities		
Provided (acquisition) of fixed assets	10,500	(13,069)
Proceeds from lease termination	350,000	-
Net cash provided (used in) investing activities	360,500	(13,069)
Cash flows from financing activities		
Proceeds from convertible note payable	-	238,500
Proceeds from note payable	-	200,000

Proceeds from shares issued	-	449,485
Payments to promissory note payable	(20,841)	-
Payments to note payable-lessor	(10,804)	(1,199)
Net cash provided (used in) by financing activities	(31,645)	886,786
 NET INCREASE (DECREASE) IN CASH	 (189,671)	 225,955
 CASH AT BEGINNING OF THE YEAR	 334,191	 108,236
 CASH AT END OF YEAR	 \$144,520	 \$334,191
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$37,759	\$26,834
Income taxes paid	\$-	\$-
 NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Shares issued to settle convertible notes payable	\$158,359	\$50,000
Accounts payable settled by share issuance	\$31,500	\$68,282
Conversion feature and discounts on notes payable credit to additional paid in capital	\$-	\$145,154
Deferred gain recorded upon amendment of lease agreement and promissory note	\$455,287	\$-

See Accompanying Notes to Consolidated Financial Statements.

GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Giggles N Hugs, Inc. (“GIGL Inc.”) was originally organized on September 17, 2004 (Date of Inception) 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 \$0.001 par value common stock.

The Company adopted a 52/53 week fiscal year ending on the Sunday closest to December 31st for financial reporting purposes. Fiscal year 2016 consists of a year ending January 1, 2017. Fiscal year 2015 consists of a year ending December 27, 2015.

Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying consolidated financial statements, during the year ended January 1, 2017, the Company incurred a net loss of \$1,386,955 used cash in operations of \$518,526 and had a stockholders’ deficit of \$2,093,025 as of that date. These factors raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the financial statements are issued. The ability of the Company to continue as a going concern is dependent upon the Company’s ability to raise additional funds and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company has and will continue to use significant capital to grow and acquire market share. At January 1, 2017, the Company had cash on hand in the amount of \$144,520. Management estimates that the current funds on hand will be sufficient to continue operations through May 2017. Management continues to seek additional funds, primarily through the issuance of debt and equity securities for cash to operate our business. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if

the Company is able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stock holders, in case of equity financing.

Principles of consolidation

For the years ended January 1, 2017 and December 27, 2015, the consolidated financial statements include the accounts of Giggles N Hugs, Inc., GNH, Inc., GNH CC, Inc. for restaurant operations 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. Intercompany balances and transactions have been eliminated. Giggles N Hugs, Inc., GNH, Inc., GNH CC, 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 revenues and expenses during the reporting period. Estimates and assumptions used by management include estimates made for impairment analysis for fixed assets and other long term assets, estimates of potential liabilities and, assumptions made in valuing derivative liabilities and the valuation of issuance of debt and equity securities. Actual results could differ from those estimates.

GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The Company has no significant off-balance-sheet concentrations of credit risk such as foreign exchange contracts, options contracts or other foreign hedging arrangements. The Company maintains the majority of its cash balances with financial institutions, in the form of demand deposits. The Company believes that no significant concentration of credit risk exists with respect to these cash balances because of its assessment of the creditworthiness and financial viability of these two financial institutions.

Fair value of financial instruments

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification (“Paragraph 820-10-35-37”) to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP), and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amount of the Company's financial assets and liabilities, such as cash and cash equivalents, inventory, prepaid expenses, and accounts payable and accrued expenses approximate their fair value due to their short term nature. The carrying values financing obligations approximate their fair values due to the fact that the interest rates on these obligations are based on prevailing market interest rates.

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GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income taxes

The Company accounts for income taxes under the provisions of ASC 740 “Accounting for Income Taxes,” which requires a company to first determine whether it is more likely than not (which is defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more likely than not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority.

Deferred income taxes are recognized for the tax consequences related to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes at each year end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is recognized when, based on the weight of all available evidence, it is considered more likely than not that all, or some portion, of the deferred tax assets will not be realized. The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and cause a change in management’s judgment about the recoverability of deferred tax assets, the impact of the change on the valuation is reflected in current income. Income tax expense is the sum of current income tax plus the change in deferred tax assets and liabilities.

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.

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

Management assesses the carrying value of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If there is indication of impairment, management prepares an estimate of future cash flows expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. For the year ended December 27, 2015 the Company took a loss on impairment of \$353,414. For the year ended January 1, 2017, there were no indications of further impairment based on management's assessment of these assets.

GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Company currently leases its restaurant locations. The Company evaluates the lease to determine its appropriate classification as an operating or capital lease for financial reporting purposes. The Company currently has two leases, which are classified as operating leases.

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 its leased premises which are reimbursed to the Company by its 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 CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock-based compensation

The Company periodically issues stock options and warrants to employees and non-employees in non-capital raising transactions for services and for financing costs. The Company accounts for stock option and warrant grants issued and vesting to employees based on the authoritative guidance provided by the Financial Accounting Standards Board whereas the value of the award is measured on the date of grant and recognized over the vesting period. The Company accounts for stock option and warrant grants issued and vesting to non-employees in accordance with the authoritative guidance of the Financial Accounting Standards Board (FASB) whereas the value of the stock compensation is based upon the measurement date as determined at either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete. Non-employee stock-based compensation charges generally are amortized over the vesting period on a straight-line basis. In certain circumstances where there are no future performance requirements by the non-employee, option grants are immediately vested and the total stock-based compensation charge is recorded in the period of the measurement date.

The fair value of the Company's stock option and warrant grants is estimated using the Black-Scholes Option Pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the stock options or warrants, and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes Option Pricing model, and based on actual experience. The assumptions used in the Black-Scholes Option Pricing model could materially affect compensation expense recorded in future periods.

The Company also issues restricted shares of its common stock for share-based compensation programs to employees and non-employees. The Company measures the compensation cost with respect to restricted shares to employees based upon the estimated fair value at the date of the grant, and is recognized as expense over the period, which an employee is required to provide services in exchange for the award. For non-employees, the Company measures the compensation cost with respect to restricted shares based upon the estimated fair value at measurement date which is either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete.

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 options and warrants. Loss per common share has been computed using the weighted average number of common shares outstanding during the year. For the years ended January 1, 2017 and December 27, 2015, the assumed conversion of convertible note payable and the exercise of warrants to acquire shares of common stock were 606,500 shares and 166,500 shares, respectively, and the employee stock options to acquire 115,000 shares are anti-dilutive due to the Company’s net losses and are excluded in determining diluted loss per share.

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GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – 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. The company receives payment from its customers at the start of the subscription period and the company 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. As of January 1, 2017 and December 27, 2015, the amount of gift cards sales were \$172 and \$4,448, respectively, and were recorded as deferred revenue.

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.

Advertising costs

Advertising costs are expensed as incurred. During the fiscal years ended January 1, 2017 and December 27, 2015, there were \$30,308 and \$29,946, respectively in advertising costs included in general and administrative expenses.

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the condensed consolidated statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Convertible Debentures

If the conversion features of conventional convertible debt provide 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 on the effective interest method.

GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted only in annual reporting periods beginning after December 15, 2016, including interim periods therein. Entities will be able to transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. The Company is in the process of evaluating the impact of ASU 2014-09 on the Company's financial statements and disclosures.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, Compensation – Stock Compensation (Topic 718). The pronouncement was issued to clarify the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The pronouncement is effective for reporting periods beginning after December 15, 2015. The adoption of ASU 2014-12 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases. ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is in the process of evaluating the impact of ASU 2016-02 on the Company's financial statements and disclosures. The Company anticipates that this will add significant liabilities to the balance sheet.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

GIGGLES N HUGS, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2 – FIXED ASSETS**

Fixed assets consisted of the following at:

	January 1, 2017	December 27, 2015
Leasehold improvements	\$ 1,889,027	\$ 2,847,565
Fixtures and equipment	60,310	85,267
Computer software and equipment	264,890	283,001
Property and equipment, total	2,214,227	3,215,833
Less: accumulated depreciation	(1,220,099)	(1,485,997)
Property and equipment, net	\$ 994,128	\$ 1,729,836

Effective June 30, 2016, the Company entered into a termination agreement with Westfield Mall Associates to close the Century City Store resulting from a major reconstruction of the entire Mall. As such, the leasehold improvements with a cost basis of \$958,538 and accumulated amortization of \$533,377 were written off and included in the gain on the lease termination (see Note 10). In conjunction with the closing of the Century City store, the Company also sold for \$10,500, all of its furniture, fixtures and office equipment with a cost basis, net of accumulated depreciation, of \$4,529 resulting in a gain of \$5,971.

Depreciation expense was \$306,019 and \$367,549 for the fiscal years ended January 1, 2017 and December 27, 2015, respectively. Repair and maintenance expenses for the years ended January 1, 2017 and December 27, 2015 were \$85,860 and \$111,977, respectively.

NOTE 3 – INCENTIVE FROM LESSOR

The Company previously received \$700,000 for Century City, \$506,271 for Topanga and \$475,000 for Glendale restaurant locations from the Company's landlords as construction contributions pursuant to agreed-upon terms in the lease agreements as of December 27, 2015.

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.

Effective June 26, 2016, the Company entered into a lease termination agreement with the Westfield Mall Associates that released the Company from any further obligations on its Century City store location. As such, our remaining unamortized tenant improvement allowance as of that date of \$225,739, and deferred rent of \$63,529 were written off and included in the gain on lease termination.

The balance of the incentive from lessor as of January 1, 2017 and December 27, 2015 was \$740,428 and \$1,198,098 respectively, and included deferred rent of \$117,056 and \$218,874, respectively. As of January 1, 2017, \$87,420 of the incentive from lessor was current and \$653,008 was long term. Amortization of the incentive from lessor was \$98,785 and \$117,744 for the fiscal years ended January 1, 2017 and December 27, 2015 and respectively.

GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – NOTE PAYABLE LESSOR

On February 12, 2013, the Company entered into a \$700,000 Promissory Note Payable Agreement 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 Note Payable accrued interest at a rate of 10% through October 15, 2015, 12% through October 31, 2017, and 15% through October 31, 2023 and matures on October 31, 2023.

On March 1, 2015, the Company and the lender renegotiated the terms of the Promissory Note and agreed to a new note with a principal balance due of \$683,316. As part of the new agreement, the Lender waived principal and interest payments for two years beginning March 1, 2015. Thereafter, principal and interest will be paid in equal monthly installments of \$12,707, within increasing interest rates. As of June 26, 2016 and December 27, 2015, the principal balance due under the note was \$683,316.

Due to the two-year interest free period, the Company recalculated the fair value of the note taking into account the payment stream and the incremental changes in the interest rate and determined the fair value of the new note on the date of modification of March 1, 2015 to be \$619,377, net of a discount of \$63,939. The Company determined that the discount should be amortized over the two year period where no interest was due or payable. As such, the Company amortized \$28,845 of the discount during the fiscal year ended December 27, 2015, resulting in an unamortized balance of \$35,094 at December 27, 2015. The Company further amortized \$15,985 of the discount during 2016. The unamortized discount at June 26, 2016 was \$19,109, and the net balance due was \$664,207.

On August 12, 2016, the Company entered into a third amendment on its lease at The Glendale Galleria. The amendment covered several areas, including adjustment to percentage rent payable, reduced the minimum rent payable, along with the payment and principal of Promissory Note. The Promissory Note was adjusted to a balance due of \$763,262 from \$683,316, with zero percent interest, payable in equal monthly instalments of \$5,300 through maturity of Note on May 31, 2028. The Company imputed interest using a discount rate of 10% to determine a fair value of the note of \$433,521, resulting in a valuation discount of \$329,740. As of January 1, 2017, the balance of the note payable was \$723,270, and the unamortized note discount was \$290,553, resulting in a balance due of \$432,717, of which, \$21,544 was reported as part of current liabilities and \$411,173 as long-term liabilities in the accompanying balance sheets.

The exchange of the notes was treated as a debt extinguishment as the change in terms constituted more than a 10% change in the fair value of the original note, and the difference between the fair value of the new note and the old note (including eliminating all remaining unamortized discount) of \$220,668 was treated as a gain on debt extinguishment. The Company determined that since the GGP Promissory Note and the related revision of the lease (see Note 10) were agreed to at the same time, that the change in the lease payment terms and the reduced rent, and the issuance of the new note are directly related. As such the gain on the termination of the note of \$220,668 is being deferred and amortized on the straight line basis over the remaining life of the lease as an adjustment to rent expense.

The lender under the Note is GGP Limited Partnership (GGP). GGP is an affiliate of Glendale II Mall Associates, the lessor of the Company's Glendale Mall restaurant location. In accordance with the note agreement, an event of default would occur if the Borrower defaults under the lease between the Company and Glendale II Mall Associates. Upon the occurrence of an event of default, the entire balance of the Note payable and accrued interest would become due and payable, and the balance due becomes subject to a default interest rate (which is 5% higher than the defined interest rate). Landlord shall have the unconditional right to terminate the Lease by giving Tenant at least 120 days' advance written notice of Landlord's election to terminate the Lease, under lease amendment in the event of default. As of January 1, 2017, the Company was current in its rental obligation.

The following is the 5-year payment schedule:

2017	\$63,605
2018	63,605
2019	63,605
2020	63,605
2021	63,605
Thereafter	405,245
Total	\$723,270

GIGGLES N HUGS, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 5 – CONVERTIBLE NOTE PAYABLE**

A summary of convertible debentures payable as of January 1, 2017 and December 27, 2015 is as follows:

	January 1, 2017	December 27, 2015
Iconic Holdings, LLC	\$84,191	\$161,250
J&N Invest LLC	50,000	50,000
Accrued interest	17,192	-
Total Convertible Notes	151,383	211,250
Less: Discount	-	(139,471)
Convertible Notes, net	\$151,383	\$71,779

Iconic Holdings, LLC - On December 21, 2015, Giggles N Hugs, Inc., a Nevada corporation (the “Registrant”), issued an 8% unsecured convertible promissory note in favor of Iconic Holdings, LLC, in the principal sum of \$161,250. The note was subject to an original issue discount of \$11,250, plus another \$11,250 retained by the lender for fees and costs, resulting in net proceeds to the company of \$138,500. The note carries a guaranteed 10% interest rate, matures on December 21, 2016 and is subject to pre-payment penalties. The note may be converted, in whole or in part, at any time at the option of the holder into the Registrant’s common stock at a price per share equal to 65% of the lowest volume weighted average price of the Company’s common stock during the 10 consecutive trading days prior to the date on which Holder elects to convert all or part of the note. The conversion floor price was set at \$0.08 per share. The note also contains a make-good provision requiring the Registrant to make a payment to the holder in the event the Registrant’s trading price at the time the conversion notice is submitted is below \$0.11. Any shares issued upon conversion of the note shall have piggyback registration rights and failure to do so could result in damages up to 30% of the principal sum of the note, but not less than \$20,000. The note contains various default provisions including a requirement for the Company to maintain a prescribed closing bid price for a certain number of days, and a continued listing in a principal market.

The Company determined that the ability of the holder to convert the note to common shares at 65% of the market created a beneficial conversion feature upon issuance. The Company also considered if the conversion feature required liability accounting under current accounting guidelines but determined that the conversion of the shares were indexed to the Company’s stock, and that the floor of \$0.08 per share would not allow the conversion to exceed the Company’s authorized share limit. Based on the current market price on the date of issuance of the note of \$0.13 and the discount of 65%, the Company calculated an initial beneficial conversion feature of \$86,827. The total note discount was \$109,327 including the \$22,500 discussed above, of which \$107,691 was unamortized at December 27, 2015. The

Company amortized the remaining discount during the year ended January 1, 2017.

On July 11, 2016, the Company modified the conversion feature of the Iconic note eliminating the conversion floor. The Company determined that since the conversion floor had been eliminated, that the company could no longer determine if it had enough authorized shares to fulfill the conversion obligation. As such, the Company determined that the conversion feature created a derivative with a fair value of \$79,376 at the date of the modification, and the value of such conversion feature should be considered a cost of debt extinguishment since it resulted in more than a 10% change in the fair value of the note.

During the period ended January 1, 2017, the Company converted \$77,059 of principal into 2,555,906 shares of common stock. As of January 1, 2017 the balance of principal due was \$84,191. The entire note principal and accrued interest was converted to share of common stock in March 2017.

GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – CONVERTIBLE NOTE PAYABLE (CONTINUED)

J&N Invest LLC - On August 24, 2015, the Company entered into an unsecured Note Payable Agreement with an investor for which the Company issued a \$50,000 Convertible Note Payable, which accrues interest at a rate of 5% per annum and matures on August 31, 2016. The Lender may also convert all or a portion of the Note Payable at any time into shares of common stock at a price of \$0.10 per share. As the market price of the stock on the date of issuance was \$0.23, the Company recognized a debt discount at the date of issuance in the amount of \$50,000 related to the fair value of the conversion feature. The discount will be amortized over the life of the note. The balance of the unamortized note discount was \$32,181 at December 27, 2015. The Company amortized the remaining discount to interest expense during the year ending January 1, 2017.

NOTE 6 – PROMISSORY NOTE

On December 18, 2015, the Company issued an unsecured promissory note in the principal sum of \$265,000 in favor of St. George Investments, LLC, pursuant to the terms of a securities purchase agreement of the same date. The note was subject to an original issue discount of \$60,000 and a \$5,000 fee to cover certain expenses of lender. The note matured in six months and carries no interest unless there is an event of default. GNH may prepay the note in full within 90 days of the issuance date for \$235,000. The Company has accounted for the discount as a contra account to the note and will be amortized to interest expense over the life of the note. As such, the Company amortized \$4,694 of the discount during the year ended December 27, 2015. The balance of the note outstanding at December 27, 2015, was \$265,000 net of an unamortized discount of \$60,306.

The Note went into default when the Company failed to make payment on the due date. Consequently, on July 8, 2016, The Company entered into an Exchange Agreement with St. George Investments, LLC, to replace the original Promissory with a new Promissory Note ("Note") carrying the following terms and conditions:

The new Note added 10% (\$26,500) to the original principal as an Exchange Fee, making the new principal amount 1. \$291,500, and the Note shall carry an interest rate of 8% per annum. The amount of the exchange fee was recognized as a finance cost.

2. The Note carries a Conversion clause that allows the Holder to have a cashless conversion into shares of Common Stock for all or part of the principal, at a price equal to the average market price for 20 days prior to the conversion.

3. In conjunction with the conversion provision, the Company agreed to an Irrevocable Letter of Instructions to Transfer Agent, along with a Secretary's Certificate and Board Resolution, which allows a Share Reserve equal to three times the number of shares of Common Stock divided by outstanding debt by the defined conversion price, but not less than 18,000,000 shares.

4. In addition, the Company executed a Share Issuance Resolution Authorizing the Issuance of New Shares of Common Stock. This document, in effect, allows the Holder to provide, at their discretion, a Conversion Notice directly to the Transfer Agent to receive unrestricted shares under the terms of this Exchange Agreement.

5. Further to this Exchange Agreement, the Company executed an Authorization to Initiate ACH Debit Entries that allowed the Holder to receive a daily payment of \$312.50 (\$7,500 per month). The Company can cancel such authorization with five days' written notice.

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GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – PROMISSORY NOTE (CONTINUED)

The Company determined that since the conversion floor had no limit to the conversion price, that the Company could no longer determine if it had enough authorized shares to fulfill the conversion obligation. As such, the Company determined that the conversion feature created a derivative with a fair value of \$98,544 at the date of the modification, and the value of such conversion feature should be considered a finance cost.

During the fiscal year ended January 1, 2017, the Holder converted \$81,300 of debt into 9,261,973 shares of Common Stock. In addition, the Company paid \$20,841 of the principal balance. The balance outstanding as of January 1, 2017 was \$183,359 plus \$9,981 of accrued interest, and is past its maturity date of September 15, 2016.

Subsequent to January 1, 2017, additional balance of \$48,914 was converted to approximately 15.7 million shares of common stock pursuant to the terms of the note (See Note 10 and 12). The Balance as of this filing was \$132,000 and is being disputed (See Legal Proceedings).

NOTE 7 – BUSINESS LOAN AND SECURITY AGREEMENT

In August 2015, the Company entered into a Business Loan and Security Agreement with American Express Bank, which allows the Company to borrow up to \$174,000. The loan matures in August 2016 and will remain in effect for successive one year periods unless terminated by either party. In August 2016, the loan amount was amended up to \$180,000. The loan is secured by credit card collections from the Company's store operations. The agreement provides that the Company will receive an advance of up to \$180,000 at the beginning of each fiscal month, and requires the Company to repay the loan from the credit card deposits it receives from its customers. Assuming the balance has been paid off by the end of the month, the Company will receive another advance up to the face amount of the note at the beginning of the next fiscal month.

The loan requires a loan fee of 0.5% of the outstanding balance as of each disbursement date. At January 1, 2017, the advance for the month of December 2016 was \$136,629 and is included in accounts payable on the accompanying balance sheet.

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GIGGLES N HUGS, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 8 - DERIVATIVE LIABILITY**

Under authoritative guidance used by the FASB on determining whether an instrument (or embedded feature) is indexed to an entity's own stock, instruments which do not have fixed settlement provisions are deemed to be derivative instruments. The Company has issued certain convertible notes whose conversion price is based on a future market price. However, since the number of shares to be issued is not explicitly limited, the Company is unable to conclude that enough authorized and unissued shares are available to share settle the conversion option. The result is that the conversion option is classified as a liability and bifurcated from the debt host and accounted for as a derivative liability in accordance with ASC 815 and will be re-measured at the end of every reporting period with the change in value reported in the statement of operations.

As of January 1, 2017, and upon issuance, the derivative liabilities were valued using a probability weighted average Black-Scholes-Merton pricing model with the following assumptions:

Warrants:

	Upon Issuance	January 1, 2017		
Exercise Price	\$0.07	\$ 0.07	.05-0.01	
Stock Price	\$0.05-0.02	\$		
Risk-free interest rate	0.57	%	0.57	%
Expected volatility	216	%	216	%
Expected life (in years)	1		1	
Expected dividend yield	0		0	
Fair Value:	\$177,920	\$	357,411	

The risk-free interest rate was based on rates established by the Federal Reserve Bank. The Company uses the historical volatility of its common stock to estimate the future volatility for its common stock. The expected life of the conversion feature of the notes was based on the remaining term of the notes, or an estimate of until such notes would be converted. The expected dividend yield was based on the fact that the Company has not customarily paid dividends in the past and does not expect to pay dividends in the future.

During the fiscal year ended January 1, 2017, convertible notes and accrued interest totaling \$158,359 were converted into shares of common stock or paid off in cash, and the Company recorded a gain of \$190,370 related to the extinguishment of the corresponding derivative liabilities. Also during the fiscal year ended January 1, 2017, the Company recorded a change in fair value of derivatives of \$369,861. At January 1, 2017, the balance of the derivative liabilities was \$357,411.

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GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – COMMON STOCK

Issuance of Common Stock

During the fiscal year ended January 1, 2017, the Company issued

497,500 shares of common stock valued at \$37,170 for services. The shares were valued based on the closing price of the stock on the date of agreement.

525,000 shares of common stock issued in settlement of an accounts payable with a fair value of \$31,500.

150,000 shares of stock previously reflected as common stock payable.

4,779,236 shares of its common stock for conversion of convertible notes in the amount of \$107,497

During the fiscal year ended December 27, 2015, the Company issued

1,293,333 shares of its common stock valued at \$341,547 for services. The shares were valued based on the closing price of the stock on the date of agreement.

423,268 shares of its common stock valued at \$68,282 in settlement of accounts payable balances

3,070,776 shares of its common stock for cash of \$449,485 net of closing costs. In conjunction with the sale of these shares, the company issued to the underwriter warrants to acquire 152,885 shares of our common stock at an exercise price of \$0.01 per share. As of January 1, 2017, 555,556 of these shares have not yet been issued.

910,000 shares of its common stock valued at \$200,200 to investors as bonus. The shares were valued based on the closing price of the stock on the date of issuance and reflected the fair value of these shares as a financing cost.

1,597,982 shares of its common stock valued at \$488,078 previously accounted for as common stock payable.

On July 1, 2015, the Company entered into an unsecured Note Payable Agreement with an investor for which the Company issued a \$50,000 Convertible Note Payable, which accrued interest at a rate of 15% per annum and matured July 31, 2016. The note was convertible at a conversion price of \$0.15 per share. The Note Payable had warrants attached, with an exercise term of 3 years and convertible into 66,667 shares of common stock at an exercise price of

\$0.15 per share. The Company recognized a debt discount at the date of issuance in the amount of \$9,647 related to the fair value of the warrants. During 2015 the Company offered the note holder an inducement to convert the note at a conversion price of \$0.09 per share. As such, the note was converted into 555,223 shares of the Company's common stock and the note was retired. The Company calculated the difference between the initial conversion price and the modified conversion price to be \$20,000 and recorded such amount as an inducement to convert.

During the year ended December 27, 2015, the Company granted warrants to an underwriter to purchase 152,885 shares of common stock in conjunction with our private offering. In addition, the Company also granted warrants to purchase 233,334 shares of common stock in conjunction with the issuance of our notes payable. The warrants are exercisable at a price range of \$0.01 per share through \$0.25 per shares and will expire in three years and seven years. See Note 8 for further discussion.

During the year ended December 27, 2015, a total of 406,621 warrants were exercised on cashless basis in exchange for 406,621 shares of our common stock.

GIGGLES N HUGS, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 9 – COMMON STOCK (CONTINUED)**Employee Stock Options

The following table summarizes the changes in the options outstanding at January 1, 2017, 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.

A summary of the Company's stock awards for options as of January 1, 2017 and changes for the fiscal year ended December 27, 2015 is presented below:

	Stock Options	Weighted Average Exercise Price
Outstanding, December 28, 2014	135,000	\$ 4.50
Granted	—	—
Exercised	—	—
Expired/Cancelled	(20,000)	—
Outstanding, December 27, 2015	115,000	\$ 4.50
Exercisable, December 27, 2015	115,000	\$ 4.50
Granted	—	—
Exercised	—	—
Expired/Cancelled	—	—
Outstanding, January 1, 2017	115,000	\$ 4.50
Exercisable, January 1, 2017	115,000	\$ 4.50

As of January 1, 2017, the stock options had no intrinsic value

There were no options granted during the fiscal year ended January 1, 2017.

There was no stock-based compensation expense in connection with options granted to employees recognized in the consolidated statement of operations for the fiscal years ended January 1, 2017 and December 27, 2015.

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GIGGLES N HUGS, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 9 – COMMON STOCK (CONTINUED)****Warrants**

The following table summarizes the changes in the warrants outstanding at January 1, 2017, and the related prices.

A summary of the Company's warrant as of January 1, 2017 and the changes for the fiscal year ended December 27, 2015 is presented below:

	Warrants	Weighted Average Exercise Price
Outstanding, December 28, 2014	378,510	\$0.16
Granted	219,552	0.01
Exercised	(406,621)	0.20
Expired/Cancelled	(24,941)	—
Outstanding, December 27, 2015	166,500	\$0.25
Exercisable, December 27, 2015	166,500	\$0.25
Granted	—	—
Exercised	—	—
Expired/Cancelled	—	—
Outstanding, January 1, 2017	166,500	\$0.25
Exercisable, January 1, 2017	166,500	\$0.25

Range of	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
Exercise Prices	Outstanding				
\$0.01~\$0.37	166,500	\$ 0.25	4.75	166,500	\$ 0.25

166,500	4.75	166,500
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As of January 1, 2017, the stock warrants had no intrinsic value.

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GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Westfield Century City. On January 13, 2010, the Company entered into a 10-year lease agreement with Westfield Century City for a lease for a restaurant operation. In October 2015, Westfield Group, the landlord of the Century City location, embarked on a massive \$700 million renovation of the mall. In March 2016 they approached the Company about recapturing its Century City space due to this remodeling. Currently, approximately 90% of the mall is closed or being remodeled with the completion expected sometime during 2017. On May 13, 2016, Giggles N' Hugs, Inc. entered into a Termination of Lease Agreement with Century City Mall, LLC ("landlord"), accelerating the termination date of the Lease dated January 13, 2010 for its store located in Westfield Century City, Los Angeles, California. Pursuant to the agreement, the lease was terminated in June, 2016 and the landlord agreed to a monetary reimbursement of \$350,000 which was received on June 26, 2016. For accounting purposes, the Company has removed all the leasehold improvements (net of accumulated amortization) and removed the deferred incentive due the lessor relating to tenant improvements and the remaining deferred rent existing at the date of termination resulting in a gain of \$214,111.

Westfield Topanga. 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 and expires on April 30, 2022.

Glendale Mall Associates. 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.

On August 12, 2016 the Company entered into a third amendment on its lease at The Glendale Galleria. The amendment covered several areas, including adjustment to percentage rent payable, reduced the minimum rent

payable and payment and principal of the Promissory Note payable to GGP. The Promissory Note was adjusted to a balance due of \$763,262 from \$683,316, with zero percent interest, payable in equal monthly instalments of \$5,300 through maturity of Note on May 31, 2028, creating a gain on extinguishment of the old note of \$220,686. (see Note 6). The change in the payment terms of the lease caused a change in the previously calculated deferred rent of \$69,614. For reporting purposes, the Company determined that since the GGP Promissory Note and the related revision of the lease were agreed to at the same time, that the change in the lease payment terms and the reduced rent, and the issuance of the new note are directly related. In addition, past due rent of \$164,987 was forgiven. As such the gain on the termination of the note of \$220,686, the adjustment to the deferred rent in the aggregate amount of \$69,614, and the forgiveness of past due rent of \$164,987, resulting in an aggregate gain of \$455,287 had been deferred, and will be amortized on the straight-line basis over the remaining life of the lease as an adjustment to rent expense. During the year ended January 1, 2017, \$26,172 of the deferred gain was amortized and offset to rent expense, resulting in a remaining deferred gain balance of \$429,115 as of January 1, 2017, which will be amortized over the remainder of the lease.

Rent expense for the Company's restaurant operating leases for the year ended January 1, 2017 and December 27, 2015 was \$514,275 and \$629,783, respectively.

GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

As of January 1, 2017, the aggregate minimum annual lease payments under operating lease as follows:

2017	\$407,060
2018	421,808
2019	437,100
2020	452,956
2021	469,398
Thereafter	430,249
Total	\$2,618,571

Litigation

On April 20, 2016, the Company entered into a stipulated judgment in favor of TKM in the amount of \$40,000. Under the stipulated judgment, the Company would only be compelled to pay \$20,000 in four equal installments of \$5,000, provided they meet the ascribed timely payments as set forth in the stipulated judgment. The Company has recorded the entire \$40,000 judgment since the Company did not meet the agreed payment schedule. As of January 1, 2017, the outstanding balance was \$30,000.

St. George Investments, LLC v Giggles N' Hugs

On March 23, 2017, St. George Investments, LLC ("St. George") served an arbitration demand and summons claiming that the Company had breached its obligations under a convertible note by preventing St. George from converting the remaining balance of the note to common stock. The parties disagree as to the conversion price set in the note agreement due to execution by the parties of different versions of the document. St. George has claimed for additional damages. We believe these claims lack merit and have retained counsel to vigorously defend this action and present cross claims for mistake, rescission, breach of the covenant of good faith and fair dealing and unjust enrichment.

GIGGLES N HUGS, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 11 – INCOME TAXES**

The net income generated from the Century City restaurant operations from Giggles N Hugs, LLC is treated as partnership income for federal and state income tax purposes and does not incur income tax expense for Giggles N Hugs, Inc. because the reverse merger was effectuated on December 30, 2011. Instead, its earnings and losses are allocated to and reported on the individual returns of the member's tax returns. Accordingly, no provision for income tax is included in the consolidated financial statements.

For the fiscal years ended January 1, 2017 and December 27, 2015 GNH, Inc. incurred net operating losses and, accordingly, no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At January 1, 2017 the Company had \$7,859,000 of federal and state net operating losses. The net operating loss carryforwards, if not utilized, will begin to expire in 2023.

Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been included in the financial statement or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse

A reconciliation of tax expense computed at the statutory federal tax rate income (loss) from operations before income taxes to the actual income tax expense is as follows:

	January 1, 2017	December 27, 2015
Tax provision (benefits) computed at the statutory rate (34%)	\$(214,000)	\$(431,000)
State income tax, net of federal benefit	(56,000)	429,618
Change in valuation allowance	270,800	-
Provision for income tax	\$800	\$1,382

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Deferred income taxes include the net tax effects of net operating loss (NOL) carryforwards and the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	January 1, 2017	December 27, 2015
Net operating loss carryover	\$2,019,000	\$2,578,000
Depreciation and other	422,000	(624,000)
Total deferred tax assets	2,441,000	1,954,000
Valuation allowance	(2,441,000)	(1,954,000)
Net deferred tax asset	\$-	\$-

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GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 – INCOME TAXES (CONTINUED)

The Company has provided a valuation reserve against the full amount of the net deferred tax assets, because in the opinion of management, it is more likely than not that these tax assets will not be realized.

The Company's NOL and tax credit carryovers may be significantly limited under the Internal Revenue Code (IRC). NOL and tax credit carryovers are limited under Section 382 when there is a significant "ownership change" as defined in the IRC. During the fiscal year January 1, 2017 and in prior years, the Company may have experienced such ownership changes, which could impose such limitations.

The limitation imposed by the IRC would place an annual limitation on the amount of NOL and tax credit carryovers that can be utilized. When the Company completes the necessary studies, the amount of NOL carryovers available may be reduced significantly. However, since the valuation allowance fully reserves for all available carryovers, the effect of the reduction would be offset by a reduction in the valuation allowance.

The Company files income tax returns in the U.S. federal jurisdiction, and the State of Nevada.

NOTE 12 – SUBSEQUENT EVENTS

Since the fiscal year-ended January 1, 2017, the following transactions have taken place:

During January 2017, Iconic Holdings, LLC converted the remaining outstanding balance of \$84,191 of its Promissory Note into 38,457,435 shares of common stock.

In January and February 2017, St. George Investments LLC converted \$48,914 of its Promissory Note into 15,660,611 shares of common stock.

On January 4, 2017, the Company granted officers and employees 10,170,000 shares of restricted common stock, and non-employee 500,000 shares with a fair value of \$29,876. On March 16, 2017, the Company issued 1,500,000 shares of common stock to a third party for a settlement of accounts payable of \$72,000.

In March 2017, the Company granted two non-employee consultants warrants to purchase an aggregate of 2,650,000 shares of common stock. The warrants vest over a period of eight months, exercisable at an average price of \$0.15 per share and will expire in one and five years. Total estimated fair value of the warrants at grant date amounted to \$504,000 calculated using the Black-Scholes Option Pricing Model. In addition, the Company also granted one of the consultants, 150,000 shares of common stock with a fair value of \$31,000.

LEGAL MATTERS

The validity of the rights and the shares of common stock offered by this prospectus have been passed upon for us by Libertas Law Group, Inc., Santa Monica, California. We have filed a copy of this opinion as an exhibit to the registration statement in which this prospectus is included.

EXPERTS

Certain matters regarding the material U.S. federal income tax consequences of the rights offering have been passed upon for us by Weinberg & Company, independent registered public accounting firm, Los Angeles, California. We have filed a copy of this opinion as an exhibit to the registration statement in which this prospectus is included.

The consolidated financial statements of the Company and subsidiaries as of and for the years ended January 1, 2017 and December 27, 2015 have been incorporated by reference in the registration statement in reliance upon the report of Weinberg & Company, independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file annual, quarter and periodic reports, proxy statements and other information with the Securities and Exchange Commission using the Commission's EDGAR system. You may inspect these documents and copy information from them at the Commission's offices at public reference room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The Commission maintains a web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The address of such site is <http://www.sec.gov>.

You should rely only on the information contained in this document. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Additional risks and uncertainties not presently known or that are currently deemed immaterial may also impair our business operations. The risks and uncertainties described in this document and other risks and

uncertainties that we may face in the future will have a greater impact on those who purchase our common stock. These purchasers will purchase our common stock at the market price or at a privately negotiated price and will run the risk of losing their entire investment.

PROSPECTUS

Up to Shares of Common Stock

Issuable Upon Exercise of Rights to Subscribe for such Shares at \$ per Full Share

, 2017

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The Company is paying all expenses of the offering. No portion of these expenses will be borne by the selling security holder. The selling security holder, however, will pay any other expenses incurred in selling its common stock, including any brokerage commissions or costs of sale. Following is an itemized statement of all expenses in connection with the issuance and distribution of the securities to be registered. All of the amounts shown are estimates, except for the SEC Registration Fees.

SEC Registration Fee	\$580
FINRA Fees	\$*
Accounting Fees and Expenses	\$*
Legal Fees and Expenses	\$*
Miscellaneous Fees and Expenses	\$*
Total	\$*

unknown at this time

ITEM 14. INDEMNIFICATION OF OFFICERS AND DIRECTORS

Nevada Revised Statutes (NRS) Sections 78.7502 and 78.751 provide us with the power to indemnify any of our directors, officers, employees and agents. The person entitled to indemnification must have conducted himself in good faith, and must reasonably believe that his conduct was in, or not opposed to, our best interests. In a criminal action, the director, officer, employee or agent must not have had reasonable cause to believe that his conduct was unlawful.

Under NRS Section 78.751, advances for expenses may be made by agreement if the director or officer affirms in writing that he has met the standards for indemnification and will personally repay the expenses if it is determined that such officer or director did not meet those standards.

Our Articles of Incorporation, provide a limitation of liability such that no director or officer of the Company shall be personally liable to the Company or any of its stockholders for damages for breach of fiduciary duty as a director or officer or for any act or omission of any such director or officer; however, the foregoing provision shall not eliminate or limit the liability of a director or officer for (a) acts or omissions which involve intentional misconduct, fraud or a knowing violation of law, or (b) the payment of dividends in violation of NRS Section 78.300.

Our By-Laws state that we shall indemnify every (i) present or former director or officer of us, (ii) any person who while serving in any of the capacities referred to in clause (i) served at our request as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, and (iii) any person nominated or designated by (or pursuant to authority granted by) the Board of Directors or any committee thereof to serve in any of the capacities referred to in clauses (i) or (ii), each an Indemnitee.

Our By-Laws provide that we shall indemnify an Indemnitee against all judgments, penalties (including excise and similar taxes), fines, amounts paid in settlement and reasonable expenses actually incurred by the Indemnitee in connection with any proceeding in which he was, is or is threatened to be named as defendant or respondent, or in which he was or is a witness without being named a defendant or respondent, by reason, in whole or in part, of his serving or having served, or having been nominated or designated to serve, if it is determined that the Indemnitee (a) conducted himself in good faith, (b) reasonably believed, in the case of conduct in his official capacity, that his conduct was in our best interests and, in all other cases, that his conduct was at least not opposed to our best interests, and (c) in the case of any criminal proceeding, had no reasonable cause to believe that his conduct was unlawful; provided, however, that in the event that an Indemnitee is found liable to us or is found liable on the basis that personal benefit was improperly received by the Indemnitee, the indemnification (i) is limited to reasonable expenses actually incurred by the Indemnitee in connection with the proceeding and (ii) shall not be made in respect of any proceeding in which the Indemnitee shall have been found liable for willful or intentional misconduct in the performance of his duty to us.

Other than in the limited situation described above, our By-Laws provide that no indemnification shall be made in respect to any proceeding in which such Indemnitee has been (a) found liable on the basis that personal benefit was improperly received by him, whether or not the benefit resulted from an action taken in the Indemnitee's official capacity, or (b) found liable to us. The termination of any proceeding by judgment, order, settlement or conviction, or on a plea of nolo contendere or its equivalent, is not of itself determinative that the Indemnitee did not meet the requirements set forth in clauses (a) or (b) above. An Indemnitee shall be deemed to have been found liable in respect of any claim, issue or matter only after the Indemnitee shall have been so adjudged by a court of competent jurisdiction after exhaustion of all appeals therefrom. Reasonable expenses shall, include, without limitation, all court costs and all fees and disbursements of attorneys for the Indemnitee. The indemnification provided shall be applicable whether or not negligence or gross negligence of the Indemnitee is alleged or proven.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

The following information related to all securities issued or sold by us within the past three years and not registered under the Securities Act in reliance upon exemption from registration pursuant to Section 4(2) of the Securities Act:

On August 14, 2017, the Company and St. George entered into a settlement agreement whereby the Company agreed to deliver 7,900,000 unrestricted free-trading shares to SGI Immediately upon signing a final settlement agreement and St. George agreed to purchase an additional 1,100,000 shares of the companies restricted common stock for a purchase price of \$110,000 at \$0.10 per share.

During the 13 weeks ended July 2, 2017, the Company issued the following unregistered securities:

10,170,000 shares of restricted common stock to employees; and

500,000 shares of restricted common stock to a consultant.

During the thirteen weeks ended April 2, 2017, the Company granted and issued to officers and employees 10,170,000 shares of restricted common stock and 500,000 shares of restricted common stock to a non-employee.

During the thirteen weeks ended April 2, 2017, the Company issued 1,500,000 shares of common stock in settlement of an accounts payment of \$72,000.

During the thirteen weeks ended April 2, 2017, the Company received \$25,000 from the sales of 277,777 shares of stock. Such shares have not yet been issued.

During the thirteen weeks ended April 2, 2017, the Company issued total of 54,118,046 shares of its common stock for conversion of convertible notes in the amount of \$272,847.

On December 21, 2015, the Company issued an 8% unsecured convertible promissory note in favor of Iconic Holdings, LLC, in the principal sum of \$161,250. The note may be converted, in whole or in part, at any time at the

option of the holder into the Registrant's common stock at a price per share equal to 65% of the lowest volume weighted average price of the Company's common stock during the 10 consecutive trading days prior to the date on which Holder elects to convert all or part of the note. The conversion floor price was set at \$0.08. On July 11, 2016, the company modified the conversion feature of the Iconic note eliminating the conversion floor. During the period ended April 2, 2017, the Company converted the remaining balance of the principal into 38,457,435 shares of common stock at average conversion price \$0.00259 per share.

On August 24, 2015, the Company entered into an unsecured Note Payable Agreement with an investor for which the Company issued a \$50,000 Convertible Note Payable, which accrues interest at a rate of 5% per annum and matured on August 31, 2016. The Lender may also convert all or a portion of the Note Payable at any time into shares of common stock at a price of \$0.10 per share.

On December 18, 2015, the Company issued a six-month unsecured promissory note in the principal sum of \$265,000 in favor of St. George Investments, LLC, pursuant to the terms of a securities purchase agreement of the same date. The Note went into default when the Company failed to make payment on the due date. Consequently, on July 8, 2016, the Company entered into an Exchange Agreement with St. George Investments, LLC, to replace the original Promissory Note with a new Convertible Promissory Note ("Note").

During the period ended April 2, 2017, the holder converted \$48,914 of debt into 15,660,611 shares of Common Stock based on instructions the Holder sent to the transfer agent.

During January 2017, Iconic Holdings, LLC converted the remaining outstanding balance of \$84,191 of its Promissory Note into 38,457,435 shares of common stock.

In March 2017, the Company granted two non-employee consultants warrants to purchase an aggregate of 2,650,000 shares of common stock. The warrants vest over a period of eight months, exercisable at an average price of \$0.15 per share and will expire in one and five years. In addition, the Company also granted one of the consultants, 150,000 shares of common stock.

During the fiscal year ended January 1, 2017, the Company issued:

497,500 shares of common stock valued at \$37,170 for services.

525,000 shares of common stock issued in settlement of an accounts payable with a fair value of \$31,500.

150,000 shares of stock previously reflected as common stock payable.

24,940,672 shares of its common stock for conversion of convertible notes in the amount of \$158,359

During the fiscal year ended December 27, 2015, the Company issued:

1,293,333 shares of its common stock valued at \$341,547 for services.

423,268 shares of its common stock valued at \$68,282 in settlement of accounts payable balances

3,070,776 shares of its common stock for cash of \$449,485 net of closing costs. As of January 1, 2017, 555,556 of these shares have not yet been issued.

910,000 shares of its common stock valued at \$200,200 to investors as bonus.

1,597,982 shares of its common stock valued at \$488,078 previously accounted for as common stock payable.

On July 1, 2015, the Company entered into an unsecured Note Payable Agreement with an investor for which the Company issued a \$50,000 Convertible Note Payable, which accrued interest at a rate of 15% per annum and matured July 31, 2016. The note was convertible at a conversion price of \$0.15 per share. The note had warrants attached, with an exercise term of 3 years and convertible into 66,667 shares of common stock at an exercise price of \$0.15 per share. During 2015 the Company offered the note holder an inducement to convert the note at a conversion price of \$0.09 per share. As such, the note was converted into 555,223 shares of the Company's common stock and the note was retired.

During the year ended December 27, 2015, the Company granted warrants to an underwriter to purchase 152,885 shares of common stock in conjunction with our private offering. In addition, the Company also granted warrants to

purchase 233,334 shares of common stock in conjunction with the issuance of our notes payable.

During the year ended December 27, 2015, a total of 406,621 warrants were exercised on cashless basis in exchange for 406,621 shares of our common stock.

During the fiscal year ended December 28, 2014 the Company issued:

1,646,388 shares of its common stock valued at \$509,522 for services.

722,337 shares of its common stock valued at \$493,142 in settlement of accounts payable balances.

3,711,667 shares of its common stock for cash of \$1,036,000 net of closing costs. In conjunction with the sale of these shares, the company issued to the underwriter warrants to acquire 363,615 shares of our common stock at an exercise price of \$0.01 per share.

2,096,118 shares of its common stock valued at \$473,804 for the conversion of a Note payable.

1,228,175 shares of its common stock valued at \$170,095 for the exercise of warrants conversion feature.

During the year ended December 28, 2014, the Company granted warrants to an underwriter to purchase 363,615 shares of common stock in conjunction with our private offering. In addition, the Company also granted warrants to purchase 183,785 shares of common stock in conjunction with the issuance of our note payable.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The list of exhibits in the Index to Exhibits to this registration statements is incorporated herein by reference.

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (“Securities Act”);

To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that

(ii) which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) (§ 230.424(b) of this chapter) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the “Calculation of Registration Fee” table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that

Paragraphs (1)(i), (ii), and (iii) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934, as amended (“Exchange Act”) that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such

securities at that time shall be deemed to be the initial bona fide offering thereof.

- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

- (5) That, for the purpose of determining liability under the Securities Act to any purchaser:

If the registrant is subject to Rule 430C (§230.430C of this chapter), each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A (§230.430A of this chapter), shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(6) That, for the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424 (§230.424 of this chapter);
- (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
- (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
- (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to supplement the prospectus, after the expiration of the subscription period, to set forth the results of the subscription offer, the transactions by the underwriters during the subscription period, the amount of unsubscribed securities to be purchased by the underwriters, and the terms of any subsequent reoffering thereof. If any public offering by the underwriters is to be made on terms differing from those set forth on the cover page of the prospectus, a post-effective amendment will be filed to set forth the terms of such offering.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, on this 1st day of September, 2017.

GIGGLES N' HUGS INC.

By: */s/ Joey Parsi*

Name: Joey Parsi

Title: President (Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Person	Capacity	Date
<i>/s/ Joey Parsi</i>	President, Treasurer, Director	September
Joey Parsi	(Principal Executive Officer) (Principal Financial and Accounting Officer)	1, 2017

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by reference		Exhibit	Filing date
		Form	Period ending		
1.1	Form of Dealer-Manager Agreement by and between Giggles N' Hugs Inc. and Advisory Group Equity Services, Ltd., d/b/a RHK Capital+				
2.1	Acquisition Agreement and Plan of Merger by and among Giggles N' Hugs Inc., Giggles N Hugs Sub Co and GNH, Inc.	8-K		2.1	9/24/2010
3.1	Articles of Incorporation	SB-2		3(a)	11/24/2006
3.2	Certificate of Amendment to Articles of Incorporation dated August 20, 2010 (Name Change to Giggles N Hugs Inc.)	8-K		3(i)(b)	8/26/2010
3.3	Bylaws	SB-2		3(b)	11/24/2006
5.1	Opinion of Libertas Law Group Inc.+				
8.1	Opinion of Libertas Law Group Inc. regarding certain tax matters+				
4.1	Form of Common Stock Certificate+				
4.2	Form of Subscription Rights Certificate+				
4.3**	Form of Warrant dated February 28, 2017				
4.4**	Form of 8% Promissory Note dated December 21, 2015 issued to Iconic Holdings, LLC				
4.5**	Form of Warrant dated March 7, 2017				
4.6**	Form of 5% Convertible Debenture dated August 24, 2015				
10.1*	2016 Equity Incentive Plan	8-K		4.1	8/01/2016
10.2	Form of Information Agent Agreement by and between Giggles N' Hugs Inc. and Mackenzie Partners, Inc.+				
10.3**	Form of Brand Ambassador Agreement dated March 7, 2017 by and among Giggles N' Hugs, Inc., Firelight, LLC and G-Money, LLC				
10.4**	Subscription Agreement dated March 17, 2017 by and between Giggles N' Hugs, Inc. and Jeff Gleason				
23.1	Consent of Weinberg & Company, PA, Independent Registered Public Accounting Firm, filed herewith				
23.3	Consent of Libertas Law Group Inc. (included in Exhibit 5.1)				
99.1	Form of Instructions for Use of Subscription Rights Certificate+				
99.2	Form of Letter to Rights Holders+				
99.3	Form of Notice of Guaranteed Delivery+				
99.4	Form of Letter to Security Dealers, Commercial Banks, Trust Companies and Other Nominees+				
99.5	Form of Letter to Clients+				
99.6	Form of Nominee Holder Certification+				

* Denotes an executive compensation plan or agreement

+ To be filed by amendment

