Giggles N' Hugs, Inc.
Form 10-K
April 12, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 27, 2015

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

Commission file number 000-53948

GIGGLES N HUGS, INC.

(Exact name of registrant as specified in its charter)

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

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

Registrant’s telephone number, including area code: **(310) 356-1992**

Copies of Communications to:

Libertas Law Group, Inc.

225 Santa Monica Blvd., 11th Floor

Santa Monica, CA 90401

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

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

Common Stock, $0.001 par value

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

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

Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

[X]

Indicate by check mark whether the registrant a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

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

Yes [ ] No [X]

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 28, 2015 (the last business day of the registrant's second quarter) was $3,387,415 based on a share value of $0.1599.

The number of shares of Common Stock, $0.001 par value, outstanding on April 12, 2016 was 42,636,033 shares.

DOCUMENTS INCORPORATED BY REFERENCE: None.

GIGGLES N HUGS, INC.

FOR THE YEAR ENDED

DECEMBER 27, 2015

Index to Report on Form 10-K

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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;
- our ability to incorporate the GNH, Inc. assets into our operations;
- our ability to generate sufficient funds to operate the GNH, Inc. operations;
- deterioration in general or regional economic conditions;
- adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
- changes in U.S. GAAP or in the legal, regulatory and legislative environments in the markets in which we operate;
- the inability of management to effectively implement our strategies and business plan;
- inability to achieve future sales levels or other operating results;
- the unavailability of funds for capital expenditures;
- other risks and uncertainties detailed in this report;

As well as other statements regarding our future operations, financial condition and prospects, and business strategies. Forward-looking statements may appear throughout this report, including without limitation, the following sections: Item 1 “Business,” Item 1A “Risk Factors,” and Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Forward-looking statements generally can be identified by words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” “will be,” “will continue,” “will likely result,” and similar ex
These forward-looking statements are based on current expectations and assumptions that are subject to risks and

uncertainties, which could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Annual Report on Form 10-K, and in particular, the risks discussed under the caption "Risk Factors" in Item 1A and those discussed in other documents we file with the Securities and Exchange Commission (SEC). We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Throughout this Annual Report references to "we", "our", "us", "Giggles", "GIGL", and "the Company", and similar terms refer to Giggles N Hugs, Inc. and its subsidiaries, unless the context indicates otherwise.

PART I

ITEM 1. BUSINESS

Business Development

Giggles N Hugs, Inc. was formed as a Nevada corporation on September 17, 2004. On August 2010, Giggles changed its name from Teacher's Pet, Inc. to Giggles N Hugs, Inc. Effective December 30, 2011, Giggles completed the acquisition of GNH, Inc. ("GNH") through the acquisition of 100% of the issued and outstanding common stock of GNH.

Giggles owns and operates kid-friendly restaurants named Giggles N Hugs in the Westfield Mall in Century City, California, Westfield Topanga Shopping Center located in Woodland Hills, California, and the Glendale Galleria located in Glendale, California, and owns the intellectual property rights for Giggles N Hugs facilities.

Business Overview

Giggles N Hugs is the pioneer and only restaurant that 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. The restaurant has a high-quality menu made from fresh, organic foods that are enjoyed by both children and adults. With nightly entertainment such as magic shows, concerts, puppet shows, face painting and arts and crafts, Giggles N Hugs has become a premier destination for families seeking healthy food in a casual and fun atmosphere.

In addition to its family-friendly vibe, Giggles N Hugs is also known for its own creation called "Mom's Tricky Treat Sauce," which hides pureed vegetables in kids' favorite meals such as pizza, pastas and macaroni and cheese.

The founders, Joey Parsi and his wife, Dorsa, conceived the idea when they tried dining out with their own children, but spent the entire evening attending to quieting their kids and avoiding disapproving stares. From this frustrating experience, they discovered that there was a significant need for high-quality restaurants where play time, healthy food, and happy parents could converge. This idea led to the creation of Giggles N Hugs. Since its grand opening in February of 2008, it has become a destination for parents and kids to play and have fun while enjoying a gourmet meal.

Our restaurant offers a combination of high quality food and beverage with attentive service to ensure a memorable experience. Our play areas are supervised by staff members who promote positive interaction, fun, and activities in such a way that their presence often overshadows the presence of the vast number of toys and daily entertainment we offer. Our restaurant features kid-size castles, giant climbers, a pirate ship, and a walk-on dragon, as well as tricycles, swings, bouncies, and an abundant selection of toys in each location. The Giggles N Hugs team is a group of individuals that have been hired and trained to reflect our core beliefs of creating an environment for families to bond and interact with one another. We encourage our staff members to be more than just employees, but instead to become friends with our guests. The family-friendly feel of the restaurant and play space reflects its image and individuality in the marketplace.

Giggles N Hugs was rated among the best family and kid-friendly restaurants by City Search, a division of Interactive Corp., which is a website where restaurant goers can blog about their experiences and rate restaurants on a scale of one to five, and by Nickelodeon, a division of Viacom. We have been featured in numerous television news programs and publications, including TV Guide Channel, Fox Channel 11, Extra TV, Access Hollywood, Entertainment Tonight, Businessweek, People Magazine, The Los Angeles Times, Los Angeles Family, West-Side Today, US Magazine, OK Magazine, Life and Style Magazine, and the LA Business Journal. Our concept has appealed to numerous celebrities. Many high-profile actors and entertainers have enjoyed the Giggles N Hugs experience.

Restaurant Concept:

Our operating restaurants are located in the Westfield Century City Mall, an upscale neighborhood in Century City, California near Beverly Hills, in the Westfield Topanga Mall, in Woodland Hills, California and in Glendale Galleria in Glendale, California. Our restaurants have about 6,000 square feet of space, of which 2,000 square feet are allocated for the play area, 2,500 square feet for the dining area, and 1,500 square feet for the kitchen.

Dining Area:

Giggles N Hugs has arranged its spacious dining area so that every table has a view of the play area. Parents have the convenience of watching their children from a distance without having to leave their seats. Parents can sit down and enjoy their meals comfortably while their kids play. Sleek and modern white chairs and colorful utensils are used to appeal to the kids. All utensils are unbreakable and kid-friendly.

Menu:

We pride ourselves in our upscale entrée selections that are both nutritious and appetizing. For children, we offer macaroni and cheese, turkey dogs, and turkey burgers. We incorporate nutritious vegetables into typical children favorites, such as pureed butternut squash in the macaroni and cheese, pureed spinach in our pizza and spaghetti sauce, and whole wheat bread buns for our sandwiches. We also offer delicious salads, such as “Goat Cheese and Beet Salad,” “Chinese Chicken Salad,” and “Honey Peanut and Apple Salad.” Some of our gourmet entrees include grilled salmon, “Chicken Milanese,” and fresh panini. For guests who have specific dietary restrictions, we offer a variety of alternative menu items including non-dairy milk, gluten free pasta, and whole grain breads.

Play area:

The uniqueness of a child’s imagination can run wild in our exceptionally designed play space. In the center of our restaurant is our exclusive padded 2,000 square foot children’s play area. The magical play space includes a life-size pirate ship for boys and girls to climb into and slide off of, a fairytale play castle for the princes and princesses to let their imaginations run wild, and a green dragon for the smaller kids to climb. Along with the signature pieces, the play area also highlights kids’ favorite toys, play kitchens, and cars. Safety is the number one priority when it comes to our guests. Our highly skilled and inspirational staff understands the importance of each child’s safety and genuine joy while at Giggles N Hugs. They make balloon animals, paint faces, and give temporary tattoos to the kids. They also sing songs, read books, and play games to keep the fun times rolling. The overall design of the restaurant exudes a magical, whimsical feeling, while maintaining an aura of sophistication and detail, particularly in the dining area, to appeal to parents. With a small admission fee, children can play all day and enjoy activities and entertainment in the Giggles N Hugs play area.

Activities and Entertainment:

Entertainment is a fundamental part of our restaurant. Story-telling, singing, and game sessions conducted by the staff members are just a few of our options. For a more calm and relaxing experience, we offer movie nights. For those guests looking for a more upbeat experience, we have “Disco Night” and “Kids Karaoke.” Giggles N Hugs also offers magic shows, puppet shows, arts and crafts, Play-Doh, and contests such as talent shows and “Simon Says,” as well as other impromptu games that allow our staff and parents to bond with their children.

Birthday parties and other special events:

Each Giggles N Hugs location has the capacity to host up to 500 guests for birthday parties and special events for 2 hours or more. Packages include food, cake, facility use, party favors, and activities. Giggles N Hugs goes to great lengths to make birthday parties worry-free for parents. This includes sending out invitations, arranging entertainment, providing catering, and staffing. Giggles N Hugs is great for all special events including holiday parties, fundraisers, family get-togethers, and other celebrations.

History

The original Giggles N Hugs opened its doors in February of 2008 and was located in the posh Brentwood district of Los Angeles. The unique design and 1,500 square-foot play area was a huge success and solidified our proof of concept. However, due to the limited size of the location, our ability to offer "drop-off" services, one of our most popular features, was hindered. Drop-off services allow parents to drop their children off in our play area and go shopping while their children play in a supervised environment. In addition, other factors such as lack of available parking, the location's strip mall characteristics, and isolated location became problematic. As a result, we decided it was in our best interest to close the restaurant and secure a larger venue elsewhere.

With the successful launch and proof of concept that was realized at our Brentwood location, the Company decided to expand to the Westfield Shopping Mall in Century City in December of 2010. This ideal location highlights a play space two times the size of the original location and includes additional sources of revenue including beer and wine sales, drop off service, private party rentals, and in-store merchandise. Furthermore, Giggles N Hugs intends to introduce a new line of frozen foods, specifically designed for children, and organic baby foods, both of which we hope will be available at grocery stores. We are in discussions to license our brand for merchandising, publishing, children's apparel, entertainment, and more. With sufficient financing, Giggles N Hugs plans to expand to other parts of the country in the future.

Expansion

Our intent is to expand and open new stores either through the company-owned approach, using the franchise model, or both, but such expansion will be limited to our ability to raise capital to meet this need.

Company-owned stores. We estimate that we would have to expend $700,000 - $900,000 (net of any –landlord-tenant improvement allowances) to construct, staff, and open each new restaurant, excluding rent. Our build-out cost of new restaurants will vary depending on a number of factors, including the size of the location, whether we are converting an existing restaurant space as we did with our Brentwood location, or moving into a “build to suit” location constructed from a building shell, typically with a monetary contribution (also typically referred to as a tenant improvement allowance) from the landlord. While the latter development model generally involves greater costs (depending on the level of landlord contribution) and time to open (because the permitting process is typically significantly longer), we believe that positioning our restaurants in popular, “marquee” locations (which typically operate on the “build to suit” model) will greatly increase public awareness and recognition of the Giggles brand, which we believe is critical to our continued growth.

Marketing and Advertising

To date, our marketing and advertising has been extremely limited as we have conserved working capital for operational purposes. Our primary marketing has been through word-of-mouth from existing customers and some limited print-based advertising.

Once we have sufficient financing, we plan to market our products and services through a multi-pronged campaign. To this end, Giggles N Hugs will directly engage local preschools, kindergartens, and elementary schools. We believe our cause and community marketing would better root our presence in the minds of area locals. With additional marketing capital, Giggles N Hugs plans to advertise on television channels such as Disney and Nickelodeon, as well as in additional print publications, radio, and satellite radio. Our first store has been frequented by numerous celebrities, which provides free and invaluable publicity. We believe a large scale marketing campaign that increases exposure to Giggles N Hugs could result in a significant increase in our revenue.

We intend to design an aggressive and creative promotional strategy aimed to maximize our exposure to the target audience. We believe the following direct and indirect advertising methods could increase exposure and visibility of the “Giggles N Hugs” brand in our community:

Viral Marketing: Word-of-mouth advertising in conjunction with other secondary advertising methods functions to spread our already-popular name. Celebrity patronage is especially useful in this regard.

Internet Advertising: We would allot portions of our marketing budget for strategic Internet marketing, including search engine optimization. This tactic involves organically improving the quality and volume of traffic to a website through search engine searches. Search engine optimization can also target different kinds of searches, including image, local, and industry-specific vertical search engines.

Television advertising: We recognize that television advertising is an effective means of reaching a large target population. For this reason we plan to advertise on local cable channels, such as The Disney Channel and Nickelodeon.

Special events/sponsorships: We may sponsor local events and organizations in an effort to contribute to surrounding neighborhoods and the overall community, which concurrently builds community awareness of our stores.

Print media-magazines: Print advertisements will continue to be placed in select magazines and newspapers for weekly and/or monthly distribution. These advertisements include a brief description of the Company, comprehensive explanatory images and/or text detailing products, and also offer limited time discounts.

We have also received free publicity through celebrity-interest magazines, such as People Magazine, mentioning our restaurant in their articles. We have also attracted coverage from the local print media such as the Los Angeles Times and LA Business Journal about our concept of a kid-oriented restaurant.

Competition

Giggles N Hugs faces competition from other family-oriented establishments, especially businesses that operate under the national franchise model. This is primarily populated by the industry giant Chuck E. Cheese, which caters to older children and only serves pizza and related foods. Most play areas have minimal food preparation areas, if any, consisting only of a microwave oven or toaster.

Giggles N Hugs has already begun cementing its reputation in the local marketplace having seen establishments that reflect direct competition to us suffer a lack of business and/or shut down. We are aware that the quality of the Giggles N Hugs brand and model has influenced and increased the expectations of parents and that our presence has significantly affected the business of other local establishments.

The major competitors in the Company’s immediate area are Child’s Play and Under the Sea Indoor Playground. These businesses operate under the play area model and are mostly used as birthday party venues or weekend playgrounds, as opposed to a food and entertainment destination like Giggles N Hugs. To our knowledge, these businesses are so popular among children that they are booked for months in advance in most cases for birthday parties and other celebrations. These businesses provide an excellent insight into the demand for our business model, which improves upon the competition by providing healthy food choices in a true restaurant environment.

We enjoy numerous advantages in our target market that other companies fail to deliver. The following list describes each advantage:

- Delicious, but also nutritious, food.
- Sundry, novel, child-oriented toys and overall environment.
- Quality offerings for adults while waiting.
- Theme nights such as “Disco Night”.
- Entertainment such as puppet shows, magic shows and music shows.
- “Aides” to assist in the kids’ enjoyment while parents relax.

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 78 employees.

Available Information

Our periodic reports filed with the SEC, which include Form 10-K, Form 10-Q, Form 8-K, and amendments thereto, may be accessed by the public free of charge from the SEC. Electronic copies of these reports can be accessed at the SEC's website (*http://www.sec.gov*). The public may read or obtain copies of these reports from the SEC at the SEC's Public Reference Room at 450 Fifth Street N.W., Washington, D.C. 20549 (1-800-SEC-0330).

ITEM 1A. RISK FACTORS

Disclosure pursuant to this Item 1A is not required as we are smaller reporting company.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We currently maintain three locations:

Westfield Mall Century City location restaurant at 10250 Santa Monica Blvd., #155, Los Angeles, California 90067. Our monthly rent for this location is $16,748. The lease started on August 1, 2010. In March 2016 (Westfield) approached the Company about recapturing its Century City space due to the remodeling. Currently, approximately 90% of the mall is closed or being remodeled with the completion expected sometime during 2017. Negotiations are ongoing, and the Company expects to receive compensation that will exceed the net book value of its assets. Based on our discussions, the store is expected to close late in the third quarter. If the Company vacates the space, the Company will be relived of its remaining lease obligation.

Westfield Mall Topanga location at 6600 Topanga Canyon Blvd, Canoga Park, CA 91303. Our monthly rent at this location is $19,603 The lease started on March 23, 2013.

Glendale Galleria location at 3222 Glendale Galleria Way, Glendale, CA 91210. Our monthly rent at this location is $16,802. The lease started in November 2013. The Company is currently delinquent on several of its lease payments, which have triggered a default under a note payable to affiliate of the landlord.

ITEM 3. LEGAL PROCEEDINGS

As of December 27, 2015, due to the nonpayment of our lease obligations to Glendale II Mall Associates, we are in default under our promissory note Dated March 1, 2015 in favor of GGP Limited Partnership (“GGP”). The entire principal and accrued interest of $683,316, is due and payable, and is classified as current liability.

We do not currently have any other material pending legal proceedings outside ordinary routine litigations incidental to our business.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASE OF EQUITY SECURITIES

Market Information

Our common stock is quoted on the Over-the-Counter Quotation Board (OTCQB) under the symbol “GIGL.”

Historically, there has not been an active trading market for our common stock. We have been eligible to participate in the OTCQB since May 24, 2010 and from that time our common stock has traded on a very sporadic basis.

The following table sets forth, for the periods indicated, the high and low bid prices of our common stock as reported by a Quarterly Trade and Quote Summary Report of the OTCQB. These quotations reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not necessarily represent actual transactions.

	2015 BID PRICES		2014 BID PRICES	
	High	Low	High	Low
1st Quarter	$0.32	$0.28	$0.22	$0.22
2nd Quarter	$0.20	$0.18	$0.56	$0.47
3rd Quarter	$0.17	$0.16	$0.61	$0.57
4th Quarter	$0.17	$0.14	$0.35	$0.31

Holders of Common Stock

As of April 12, 2016, we had approximately 91 active stockholders of record of the 42,636,033 shares outstanding. The closing stock price on April 12, 2016 was $0.0899.

Dividends

The payment of dividends is subject to the discretion of our Board of Directors and will depend, among other things, upon our earnings, our capital requirements, our financial condition, and other relevant factors. We have not paid or declared any dividends upon our common stock since our inception and, by reason of our present financial status and our contemplated financial requirements do not anticipate paying any dividends upon our common stock in the foreseeable future.

Issuer Purchases of Equity Securities

The Company did not repurchase any of its equity securities during the fourth quarter ended December 27, 2015.

2012 Stock Incentive Plan

We have reserved for issuance an aggregate of 5,000,000 shares of common stock under our 2012 Stock Incentive Plan ("the Plan") that was adopted in February 23, 2012. During the year ended December 29, 2013, 225,000 stock options were granted under this Plan at $4.50, with a four year vesting period.

During 2015, 20,000 shares previously granted have been forfeited, and no shares granted. As of the year ended December 27, 2015, there were 115,000 stock options remaining

Purposes of the Plan

The purposes of the Plan are (a) to enhance the Company's ability to attract and retain the services of qualified employees, officers and directors, contractors and other service providers upon whose judgment, initiative and efforts the successful conduct and development of the Company's business largely depends, and (b) to provide additional incentives to such persons or entities to devote their utmost effort and skill to the advancement and betterment of the Company by providing them an opportunity to participate in the ownership of the Company and thereby have an interest in the success and increased value of the Company.

Stock Subject to the 2012 Plan

Shares that are eligible for grant under the Plan to participants include Incentive Stock Options, Non-Qualified Stock Options and Restricted Stock. "Incentive Options" are any options designated and qualified as an "incentive stock option" as defined in Section 422 of the Internal Revenue Code. "Non-Qualified Options" are any options that are not an Incentive Option. To the extent that any option designated as an Incentive Option fails in whole or in part to qualify as an Incentive Option, including, without limitation, for failure to meet the limitations applicable to a ten percent stockholder or because it exceeds the annual limit, it shall to that extent constitute a Non-Qualified Option. "Restricted Stock" are shares of common stock issued pursuant to any restrictions and conditions as established in the Plan.

The Plan provides that a maximum of Five Million (5,000,000) shares of common stock are available for grant as awards under the Plan.

The following table sets forth information about the 2012 stock incentive plan as of December 27, 2015.

Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
$ 4.50	115,000	$ 4.50	0.85	115,000	$ 4.50
	115,000		0.85	115,000	

Eligibility

Incentive Options. Only employees of the Company or of an affiliated company (including officers of the Company and members of the Board of Directors if they are employees of the Company or of an affiliated company) are eligible to receive Incentive Options under the Plan.

Non-Qualified Options and Restricted Stock. Employees of the Company or of an affiliated company, officers of the Company and members of the Board of Directors (whether or not employed by the Company or an affiliated company), and service providers are eligible to receive Non-Qualified Options or acquire Restricted Stock under the Plan.

Equity Compensation Plan Information

We maintain the Plan to allow the Company to compensate employees, directors, consultants and certain other individuals providing bona fide services to the Company or to compensate officers, directors and employees for accrual of salary through the award of common stock.

The Plan is intended to encourage directors, officers, employees and consultants to acquire ownership of common stock. The opportunity so provided is intended to foster in participants a strong incentive to put forth maximum effort for its continued success and growth, to aid in retaining individuals who put forth such effort, and to assist in attracting the best available individuals to the Company in the future.

Recent Sales of Unregistered Securities

During the fourth quarter ended December 27, 2015, the Company helped finance operations through the issuance of unregistered securities as follows:

A total of 300,000 shares of common stock were issued to third parties for service rendered in settlement of account payable balances of $68,183.

We made the aforementioned securities issuances in reliance upon the exemption from registration under Section 4(2) of the Securities Act for private offerings not involving a public distribution.

ITEM 6. SELECTED FINANCIAL DATA

*Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

OVERVIEW AND OUTLOOK

Our Operations

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

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

RESULTS OF OPERATIONS

	Fiscal Year Ended December 27, 2015	Fiscal Year Ended December 28, 2014	Increase (Decrease) $	%
Revenue				
Net sales	$3,451,772	$3,340,941	$110,831	3 %
Costs and operating expenses:				
Cost of operations	3,082,428	2,978,869	103,559	3 %
General and administrative expenses	1,380,390	1,389,569	(9,179)	-1 %
Other operating expenses	276,745	259,525	17,220	7 %
Depreciation and amortization	387,330	350,115	37,215	11 %
Loss on impairment	353,414	-	353,414	100 %
Total costs and operating expenses	5,480,307	4,978,078	502,229	10 %
Loss from Operations	(2,028,535)	(1,637,137)	(391,398)	24 %
Other Expenses				
Finance and interest expense	113,439	558,636	(445,197)	-80 %

Loss (Gain) on debt	(74,669)	159,137	(233,806)	-147%
Total other expenses	38,770	717,773	(679,003)	-95 %
Provision for income taxes	1,382	2,400	(1,018)	-42 %
Net Loss	$(2,068,687)	$(2,357,310)	$(288,623)	12 %

Net Sales. During the fiscal year ended December 27, 2015, sales reflected a modest increase of $110,831 (3%) over the year ended December 28, 2014.

Cost of operations. Costs of operations increased by $103,559 (3%) in fiscal year 2015 over fiscal year 2014, resulting primarily from the $118,530 increase in labor cost and the increase in occupancy costs of $11,923.

General and administrative costs. The year ended December 27, 2015, general and administrative costs declined minimally from year ended December 28, 2014, by just $9,179 (less than 1%).

Other operating expenses. Total other operating expenses rose by $17,220 (17%), due mostly to an increase of $20,134 in printing costs for advertising.

Depreciation and amortization. The depreciation and amortization increased by $37,215 (11%) in the year ended December 27, 2015 over the year ended December 28, 2014, due mostly from the write-off of a wall mural copyright.

Loss on impairment. The Company incurred a loss on impairment of $353,414 for the year ended December 27, 2015, resulting from the default on a note payable, which was caused by delinquent lease payments to an affiliate of the lessor.

Loss from Operations. The loss from operations rose sharply by $391,398 (24%), which was simply due to the loss on impairment.

Finance and interest expense. The total finance and operating expenses were $113,439 and $558,636 for the years ended December 27, 2015 and December 28, 2014, respectively. The sharp decline of $445,197 (80%) was due to a combination of factors, including the beneficial conversion of debt to equity.

Loss (gain) on debt. During the year ended December 27, 2015 the Company had a gain from the negotiated modification of debt due on a Note Payable resulting in a gain of $74,669, compared to the year ended December 28, 2014, when the Company incurred a loss of $159,137 on settlement of debt.

Net Loss. The overall net loss declined by $288,623 from the year ended December 27, 2015 compared to the year ended December 28, 2014, as the increase in sales of $110,831 the decline of finance and interest expense ($445,197) and gain on debt ($233,806); and offset largely by the increase in the total of costs and operating expenses ($502,229), which included the loss on impairment of $353,414 in 2015.

LIQUIDITY AND CAPITAL RESOURCES

As of December 27, 2015, we had $334,191 in cash and cash equivalents. The following table provides detailed information about our net cash flow for all financial statement periods presented in this Annual Report. To date, we have financed our operations through the issuance of stock and borrowings, in addition to sales-generated revenue.

The following table sets forth a summary of our cash flows for the year ended December 27, 2015 and December 28, 2014.

	Fiscal Year Ended December 27, 2015	Fiscal Year Ended December 28, 2014
Net cash provided (used) in operating activities	$(647,762)	$(1,134,152)
Net cash used in investing activities	(13,069)	(116,510)
Net cash provided by financing activities	886,786	1,287,678
Net (decrease) increase in Cash	225,955	37,016
Cash, beginning of year	108,236	71,220
Cash, end of year	$334,191	$108,236

Operating activities

Net cash used in operating activities was of $647,762 for the year ended December 27, 2015, compared to $1,134,152 provided in operating activities for year ended December 28, 2014. This improvement of $498,390 between the two periods was mostly due higher sales and decrease in the finance and interest costs for the year ended December 27, 2015.

Investing activities

Net cash used in investing activities for the year ended December 27, 2015, and December 28, 2014 were $13,069 and $116,510, respectively.

Financing activities

Net cash provided by financing activities for the year ended December 27, 2015 and December 28, 2014 were $886,786 and $1,287,678 respectively. The decrease of $400,892 from 2014 was due to decrease in proceeds raised from the sale of shares of approximately $756,000.

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 consolidated financial statements, during the year ended December 27, 2015, the Company incurred a net loss of $2,068,687 used cash in operations of $647,762 and had a stockholders' deficit of $964,699 as of that date. In addition, the Company was behind in certain lease payments of one of its restaurant locations and was in default on a note payable of $683,316. 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 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 December 27, 2015, the Company had cash on hand in the amount of $334,191. Management estimates that the current funds on hand will be sufficient to continue operations through June 2016. 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.

Notes Payable

GGP Limited Partnership - 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 accrues 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. As of December 28, 2014 the principal balance due under the note was $666,584 with accrued interest due of $34,066, for an aggregate amount due of $700,650.

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 December 27, 2015 the principal balance due under the note was $683,316.

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 December 27, 2015, the Company was past due in its rental obligation and the Note is in default.

Iconic Holdings, LLC - On December 21, 2015, Giggle 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. 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.

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.

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 matures 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 terms of the note transaction are subject to adjustment on a retroactive basis should the Registrant enter into a financing transaction with terms that would have been more favorable to the lender at any time any portion of the note remains outstanding.

Off-Balance Sheet Arrangements

We do 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.

Operation Plan

Our overall business plan is to expand and grow our restaurants and increase revenues. Our business and strategy will be directed toward the following approaches.

Company-Owned Restaurants. One-year term strategy is to explore new opening company-owned and/or managed restaurants within the next twelve months. During 2013, we opened two new Southern California locations in Westfield Topanga Mall and Glendale Galleria. In addition, we are considering The Westfield Valencia Mall and The Westfield Santa Anita Mall as potential locations.

Existing Services. We believe that we provide some of the best overall dining experiences for parents and their young children. We plan to further market and promote our existing products and designs directly to consumers. In addition, we plan to constantly refine and improve our food products.

New Products and Services. We are currently expanding, and intend to further expand, our product and service offerings. Some of the new products and services we are currently developing include:

Curb-side take-out. As with many restaurants with no drive-thru, we have established a curb-side, take-out service for our customers. Since the majority of our patrons are parents, convenient take-out is a significant factor. The ease of not having to remove kids from their car-seats when purchasing food is a significant factor for return patronage.

Beer/Wine license. Parents have inquired about beer and/or wine to accompany their meals. Since margins from alcoholic beverages are often high, we believe this would increase our revenues without a proportional increase in costs.

Furniture and Equipment Referrals. Parents frequently ask us where to purchase various furniture, fixtures, toys, and equipment inside our play area. We are considering a partnership with a baby products supplier to receive commissions for each referral.

Baby Food. As part of our branding, we may add Giggles N Hugs baby foods for toddlers too young for solid foods. We already offer mashed bananas and pureed butternut squash.

Merchandising. We intend to sell books, stuffed animals, toys, cups, t-shirts, and balls all with the Giggles N Hugs logo.

Gift Certificates. We offer gift certificates of different denominations that are an extremely popular gift item for people of all ages.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Financial Statements and Financial Statement Schedules appearing on page F-1 through F-25 of this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Please refer to reports on form 8K filed on December 31, 2015, October 22, 2015, and August 6, 2015 for a discussion on changes on auditors.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control, as is defined in the Securities Exchange Act of 1934, as amended. These internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. There are inherent limitations in the effectiveness of any system of internal controls, including the possibility of human error and overriding of controls. Consequently, an effective internal control system can only provide reasonable, not absolute, assurance with respect to reporting financial information.

Our internal control over financial reporting includes policies and procedures that: (i) pertain to maintaining records that in reasonable detail accurately and fairly reflect our transactions; (ii) provide reasonable assurance that transactions are recorded as necessary for preparation of our financial statements in accordance with generally accepted accounting principles and the receipts and expenditures of company assets are made and in accordance with our management and directors authorization; and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Management has undertaken an assessment of the effectiveness of our internal control over financial reporting based on the framework and criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based upon this evaluation, management concluded that our internal control over financial reporting was not effective as of December 27, 2015. The material weaknesses noted were as follows:

- Lack of independent audit committee and Board Members;
- Lack of formal approval policies of the Board of Directors;
- Insufficient personnel appropriately qualified to perform control monitoring activities, including the recognition of risks and complexities of its business operations; and,
- Insufficient monitoring and review controls over the financial reporting closing process.

The Company has resourced outside consultants to assist in implementing the necessary financial controls over the financial reporting and the utilization of internal management and staff to effectuate these controls.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to the temporary rules of the Securities and Exchange Commission that permit us to provide only management’s report in this annual report.

Changes in Internal Control over Financial Reporting

There has been no material changes in our internal control over financial reporting have occurred during our most recent fiscal quarter that have materially affected, or reasonably likely to continue to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

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

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The members of our board of directors serve for one year terms and are elected at the next annual meeting of stockholders, or until their successors have been elected. The officers serve at the pleasure of the board of directors.

The following sets forth information about our directors and executive officers as of the date of this report:

Name	Age	Position	Term Commencing
Joey Parsi	47	President, Treasurer and Director	December 30, 2011
Sean Richards	46	Chief Officer of Operations and Secretary	February 23, 2012

Joey Parsi, President – Mr. Joey Parsi is a founder of Giggles N Hugs Restaurant, a children's themed restaurant with play areas for children 10 years and younger and serve healthy, gourmet food. Mr. Parsi and his wife founded the Giggles N Hugs Restaurant in 2007 after experiencing the same issues as all parents while dining out with their daughter. Mr. Parsi and his wife decided to open a children's restaurant (Giggles N Hugs) that served healthy, gourmet food, with an area that allowed kids to play with toys, be entertained, play games, and various other family friendly activities. By having a restaurant with a play area, parents are able to enjoy a relaxing healthy gourmet meal, while their kids are entertained. Since the launch of Giggles N Hugs, Mr. Parsi and the restaurant have been praised by parents from all over the world. Mr. Parsi has been featured in Businessweek Magazine, the Los Angeles Business Journal, Los Angeles Times, People Magazine, US Weekly, OK Magazine, and many TV shows, including FOX News, Extra TV, Entertainment Tonight, TV Guide Channel, and most recently, The Talk on CBS among others.

Between 1991 and 1994, Mr. Parsi served as an Investment Advisor for Lehman Brothers. From 1994 to 1996, Mr. Parsi served as Senior Vice President at Sutro and Company, where he managed and oversaw millions of dollars for individual and institutional investors specializing in IPOs and technology equities. Between 1996 and 1998, Mr. Parsi worked at Prudential Securities, where he oversaw client assets in a number of investments, including fixed income assets, equities, and mutual funds. In 1998, Mr. Parsi opened Barron Chase and was able to expand the company to more than 30 employees. In total, Mr. Parsi and his team raised more than $30 million in funding for nine separate companies, many of which are now publicly traded on the NASDAQ markets. In 2001, he liquidated the business and joined TD Waterhouse.

At TD Waterhouse, between 2001 and 2006, Mr. Parsi personally managed more than $350 million in assets for clients, and oversaw more than $1 billion in assets in his region. From 2006 to 2010, Mr. Parsi served as the Senior

Vice President at Stockcross Financial Services. There, he advised high net worth clients on investment matters.

Sean Richards, Secretary, Chief Officer of Operations - Sean Richards has worked as Chief Officer of Operations ("COO") of Giggle N Hugs, LLC., a children's themed restaurant with play areas for children 10 years and younger that serves healthy, gourmet food since February 2012. As the COO of Giggles N Hugs, LLC., Mr. Richards is responsible for the day-to-day operations of the restaurant, including all marketing, HR, service standards, facility management, training, financial performance and strategic growth planning. Between March 2010 and March 2011, Mr. Richards served as a Sales Associate with Sysco, where he provided sales and consulting services to a multitude of restaurant groups. From January 2008 to February 2010, Mr. Richards served as a General Manager of the Pink Taco and the Viper Room of Larry Morton Holdings, LLC, where he was responsible for overseeing the operations of 400+ seat hi-energy Mexican restaurant/bar with annual sales of over $9.4 million and a 300 person live music venue on the Sunset Strip. From June 2003 to January 2008, Mr. Richards served as a Regional Director of Hootwinc, LLC where he was responsible for overseeing the operations of 7 Hooters Restaurants, 1 Casino and 2 bars in Washington and Oregon.

Family Relationships

There are no family relationships among any of our officers or directors.

Indemnification of Directors and Officers

Our Articles of Incorporation and Bylaws both provide for the indemnification of our officers and directors to the fullest extent permitted by Nevada law.

Limitation of Liability of Directors

Pursuant to the Nevada General Corporation Law, our Articles of Incorporation exclude personal liability for our Directors for monetary damages based upon any violation of their fiduciary duties as Directors, except as to liability for any breach of the duty of loyalty, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, or any transaction from which a Director receives an improper personal benefit. This exclusion of liability does not limit any right which a Director may have to be indemnified and does not affect any Director's liability under federal or applicable state securities laws. We have agreed to indemnify our directors against expenses, judgments, and amounts paid in settlement in connection with any claim against a Director if he acted in good faith and in a manner he believed to be in our best interests.

Election of Directors and Officers

Directors are elected to serve until the next annual meeting of stockholders and until their successors have been elected and qualified. Officers are appointed to serve until the meeting of the Board of Directors following the next annual meeting of stockholders and until their successors have been elected and qualified.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), requires our executive officers and directors, and persons who beneficially own more than ten percent of our common stock, to file initial reports of ownership and reports of changes in ownership with the SEC. Executive officers, directors and greater-than-ten-percent beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based upon a review of the copies of such forms furnished to us and written representations from our executive officers and directors, we believe that as of the date of this filing they were all current in their filings.

Code of Ethics

A code of ethics relates to written standards that are reasonably designed to deter wrongdoing and to promote:

1) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

2) Full, fair, accurate, timely and understandable disclosure in reports and documents that are filed with, or submitted to, the Commission and in other public communications made by an issuer;

3) Compliance with applicable governmental laws, rules and regulations;

4) The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and

5) Accountability for adherence to the code.

We have not adopted a corporate code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

Our decision to not adopt such a code of ethics results from our having a small management structure for the Company. We believe that the limited interaction which occurs having such a small management structure for the Company eliminates the current need for such a code, in that violations of such a code would be reported to the party generating the violation.

Corporate Governance

We currently do not have standing audit, nominating and compensation committees of the board of directors, or committees performing similar functions. Until formal committees are established, our entire board of directors will perform the same functions as an audit, nominating and compensation committee.

Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers has, during the past five years:

been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offences);

had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;

been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;

been found by a court of competent jurisdiction in a civil action or by the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;

been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

ITEM 11. EXECUTIVE COMPENSATION

Overview of Compensation Program

We currently have not appointed members to serve on the Compensation Committee of the Board of Directors. Until a formal committee is established, our entire Board of Directors has responsibility for establishing, implementing and continually monitoring adherence with the Company’s compensation philosophy. The Board of Directors ensures that the total compensation paid to the executives is fair, reasonable and competitive.

Compensation Philosophy and Objectives

The Board of Directors believes that the most effective executive compensation program is one that is designed to reward the achievement of specific annual, long-term and strategic goals by the Company, and which aligns executives’ interests with those of the stockholders by rewarding performance above established goals, with the ultimate objective of improving stockholder value. As a result of the size of the Company and only having two executive officers, the Board evaluates both performance and compensation on an informal basis. Upon hiring additional executives, the Board intends to establish a Compensation Committee to evaluate both performance and compensation to ensure that the Company maintains its ability to attract and retain superior employees in key positions and that compensation provided to key employees remains competitive relative to the compensation paid to similarly-situated executives of our peer companies. To that end, the Board believes executive compensation packages provided by the Company to its executives, including the named executive officers, should include both cash and stock-based compensation that reward performance as measured against established goals.

23

Role of Executive Officers in Compensation Decisions

The Board of Directors makes all compensation decisions for, and approves recommendations regarding equity awards to, the executive officers and Directors of the Company. Decisions regarding the non-equity compensation of other employees of the Company are made by management.

Summary Compensation Table

The following table sets forth information with respect to compensation earned by our Chief Executive Officer, President, and Chief Financial Officer for the years ended December 27, 2015 and December 28, 2014.

Name and Principal Position	Year	**Salary ($)**	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	**Nonqualified Deferred Compensation ($)**	All Other Compensation ($)	Total ($)
Joey Parsi(1)	2015	300,000	-0-	-0-	-0-	-0-	-0-	-0-	300,000
President and Treasurer	2014	300,000	-0-	-0-	-0-	-0-	-0-	-0-	300,000
Sean Richards(2),	2015	95,000	1,000	13,500	-0-	-0-	-0-	-0-	109,500
COO and Secretary	2014	102,115	50,000	-0-	-0-	-0-	-0-	-0-	152,115

(1) Mr. Parsi became our President and Treasurer effective December 30, 2011.

(2) Mr. Richards became our Chief Operating Officer and Secretary effective February 23, 2012.

Summary Compensation

Our officers have agreed to provide services to us without further compensation until such time as we have sufficient earnings from our revenue.

In connection with Mr. Sean Richards appointment as Secretary and Chief Officer of Operations on February 23, 2012, Mr. Richards was granted an initial equity award of 50,000 shares of the Company's restricted common stock and 100,000 stock options were granted at a strike price of $4.50 per share with immediate vesting. Additionally, in 2015 he received a base annual salary of $95,000 and $1,000 bonus, and was granted a stock award of 50,000 shares of common stock with a fair value of $13,500.

Termination of Employment

There are no compensatory plans or arrangements, including payments to be received from the Company, with respect to any person which would in any way result in payments to any such person because of his/her resignation, retirement, or other termination of such persons employment with the Company or its subsidiaries, or any change in control of the Company, or a change in the persons responsibilities following a change in control of the Company, except with respect to a breach of contract on the part of the Company.

Option Grants in Last Fiscal Year

During the fiscal year ended December 27, 2015, no additional options were granted, while 20,000 shares were forfeited. There are 115,000 exercisable shares that remain outstanding as of December 27, 2015.

Director Compensation

As a result of having limited resources we do not currently have an established compensation package for board members.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table presents information, to the best of our knowledge, about the beneficial ownership of our common stock on April 12, 2015 by those persons known to beneficially own more than 5% of our capital stock and by our Directors and executive officers. The percentage of beneficial ownership for the following table is based on 42,596,033 shares of common stock outstanding.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and does not necessarily indicate beneficial ownership for any other purpose. Under these rules, beneficial ownership includes those shares of common stock over which the stockholder has sole or shared voting or investment power. It also includes shares of common stock that the stockholder has a right to acquire within 60 days after April 12, 2015 pursuant to options, warrants, conversion privileges or other rights. The percentage of ownership of the outstanding common stock, however, is based on the assumption, expressly required by the rules of the Securities and Exchange Commission, that only the person or entity whose ownership is being reported has converted options or warrants into shares of our common stock.

Security Ownership of Management

Title of Class	Name and address of Beneficial Owner(1)	Amount of Beneficial Ownership	Percent of Class
Common	Joey Parsi	17,623,825 (2)	41.37 %
	Sean Richards	400,000 (3)(4)	0.94 %
	All Beneficial Owners as a Group	18,023,825	42.31 %

(1) As used in this table, "beneficial ownership" means the sole or united power to vote, or to direct the voting of, a security, or the sole or united investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security). Each Party's address is in care of the Company at 10250 Santa Monica Blvd, #155, Los Angeles, CA 90067.

(2) Of the 17,623,825 shares, Mr. Parsi may be deemed to have indirect control over 8,811,913 shares of common stock held by his wife Dorsa Foroughi. In fact, Mr. Parsi and Ms. Foroughi may be deemed a group for reporting purposes. Additionally, Mr. Parsi has direct control over 8,811,912 shares of common stock.

(3) This amount includes an option to purchase 100,000 shares of common stock at a price per share of $4.50 granted to Mr. Richards on February 2012, and 250,000 shares issued to Mr. Richards in March 2014

Changes in Control

There are no arrangements, known to the Company, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

25

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPNDENCE

Transactions with Related Persons

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. As of December 27, 2015, there were no advances from related persons.

Promoters and Certain Control Persons

We did not have any promoters at any time since our inception.

Director Independence

We currently do not have any independent directors, as the term “independent” is defined in Section 803A of the NYSE Amex LLC Company Guide. Since the Over the Counter Quotation Board (“OTCQB”) does not have rules regarding director independence, the Board makes its determination as to director independence based on the definition of “independence” as defined under the rules of the New York Stock Exchange (“NYSE”) and American Stock Exchange (“Amex”).

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

(1) AUDIT FEES

Audit and Non-Audit Fees

Fiscal Year Ended December 27, 2015:

The following table sets forth the fees paid or accrued by us for the audit and other services provided by Weinberg & Company, RBSM LLP, and De Joya Griffith, LLC for the audit of our annual financial statements for the years ended December 27, 2015 and December 28, 2014.

	Fiscal Years Ended December 27, 2015	Fiscal Years Ended December 28, 2014
Audit Fees(1)	$ 37,000	$ 53,197
Total	$ 37,000	$ 53,197

1. AUDIT FEES: This category represents fees for professional services provided in connection with the audit of our financial statements and review of our quarterly financial statements.

2. AUDIT COMMITTEE POLICIES AND PROCEDURES

a. We do not have an audit committee.

3. If greater than 50 percent, disclose the percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees.

a. Not applicable.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

a) We have filed the following documents as part of this Annual Report on Form 10-K:

1. The financial statements listed in the “Index to Financial Statements” at page 34 are filed as part of this report.
2. Financial statement schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.
3. Exhibits included or incorporated herein: See index to Exhibits.

Exhibit Index

			Incorporated by reference			
Exhibit Number	**Exhibit Description**	**Filed herewith**	**Form**	**Period ending**	**Exhibit**	**Filing date**
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(i)(a)	Articles of Incorporation		SB-2		3(a)	11/24/2006
3(i)(b)	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(ii)(a)	Bylaws		SB-2		3(b)	11/24/2006
31	Certification pursuant to Section 302 of the Sarbanes- Oxley Act.	X				
32	Certification pursuant to Section 906 of the Sarbanes- Oxley Act.	X				
99.4	2012 Stock Option Plan - Dated February 2, 2012		8-K			2/27/2012
101.INS**	XBRL Instance Document	X				
101.SCG**	XBRL Taxonomy Extension Schema	X				
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase	X				
101.DEF**	XBRL Taxonomy Extension Definition Linkbase	X				
101.LAB**	XBRL Taxonomy Extension Label Linkbase	X				
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase	X				

** *XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of1933, as amended, is deemed not filedfor purposes of Section 18 of the Securities Exchange Act of1934, as amended, and otherwise is not subject to liability under these sections.*

27

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GIGGLES N HUGS, INC.

By:*/s/ Joey Parsi*
Joey Parsi, Chief Executive Officer

Date: April 12, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Joey Parsi		April 12, 2016
Joey Parsi	Chief Executive Officer (Principal Executive Officer), President, Principal Financial Officer, Treasurer, and Director	

GIGGLES N HUGS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 27, 2015 AND DECEMBER 28, 2014

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 December 27, 2015 and December 28, 2014 and the related consolidated statements of operations, stockholders’ deficit and cash flows for the years 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 December 27, 2015 and December 28, 2014, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles 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 December 27, 2015. 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 12, 2016

F-1

GIGGLES N HUGS, INC.

CONSOLIDATED BALANCE SHEETS

	December 27, 2015	December 28, 2014
Assets		
Current assets:		
Cash and equivalents	$334,191	$108,236
Inventory	37,660	37,397
Prepaid expenses and other	26,919	23,032
Total current assets	398,770	168,665
Fixed assets, net of accumulated depreciation and amortization of $1,485,997 and $765,563	1,729,836	2,437,730
Other assets	32,620	65,861
Total assets	$2,161,226	$2,672,256
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$554,229	$432,508
Incentive from lessor — current portion	134,645	111,644
Note payable - lessor, net of discount of $35,094	648,222	91,500
Accrued expenses	396,568	330,498
Deferred revenue	52,334	43,437
Promissory note payable, net of discount of $60,306	204,694	-
Convertible note payable accrued interest, net of debt discount of $139,471	71,779	-
Total current liabilities	2,062,471	1,009,587
Long-term liabilities:		
Incentive from lessor — long-term	1,063,453	1,204,199
Note payable - lessor	-	609,150
Total long-term liabilities	1,063,453	1,813,349
Total liabilities	3,125,925	2,822,936
Stockholders' deficit:		
Common stock, $0.001 par value, 1,125,000,000 shares authorized, 41,821,033 and 33,563,830 shares issued and outstanding as of December 27, 2015 and December 28, 2014, respectively	41,820	33,563
Common stock payable (555,556 and 1,887,148 shares as of December 27, 2015 and December 28, 2014, respectively)	245,498	668,114

Additional paid-in capital	7,970,268	6,301,241
Accumulated deficit	(9,222,285)	(7,153,598)
Total stockholders' deficit	(964,699)	(150,680)
Total liabilities and stockholders' deficit	$2,161,226	$2,672,256

See Accompanying Notes to Consolidated Financial Statements.

F-2

GIGGLES N HUGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended December 27, 2015			Fiscal Year Ended December 28, 2014		
Revenue						
Net sales	$	3,451,772		$	3,340,941	
Costs and operating expenses						
Cost of operations		3,082,428			2,978,869	
General and administrative expenses		1,380,390			1,389,569	
Other operating expenses		276,745			259,525	
Depreciation and amortization		387,330			350,115	
Loss on impairment		353,414			-	
Total costs and operating expenses		5,480,307			4,978,078	
Loss from Operations		(2,028,535	)		(1,637,137	)
Finance and interest expense		113,439			558,636	
Loss (Gain) on debt		(74,669	)		159,137	
Loss before provision for income taxes		(2,067,305	)		(2,354,910	)
Provision for income taxes		1,382			2,400	
Net loss	$	(2,068,687	)	$	(2,357,310	)
Net loss per share - basic and diluted	$	(0.06	)	$	(0.08	)
Weighted average number of common shares outstanding - basic and diluted		35,745,779			28,676,829	

See Accompanying Notes to Consolidated Financial Statements.

GIGGLES N HUGS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

	Common Stock Shares	Amount	Additional Paid in Capital	Stock Payable	Accumulated Deficit	Total Stockholders' Deficit
Balance, December 29, 2013	24,159,145	$24,159	$3,654,207	$480,500	$(4,796,288)	$(637,422)
Shares issued for professional services	1,646,388	1,646	709,203	(201,327)	-	509,522
Shares issued to settle the accounts payable	722,337	722	213,479	278,941	-	493,142
Shares issued for cash proceeds	3,711,667	3,712	922,288	110,000	-	1,036,000
Shares issued upon conversion of Note Payable	2,096,118	2,096	471,708			473,804
Shares issued for exercise warrant conversion feature	1,228,175	1,228	168,867	-	-	170,095
Warrant conversion feature for convertible note	-	-	161,489	-	-	161,489
Net loss					(2,357,310)	(2,357,310)
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)

See Accompanying Notes to Consolidated Financial Statements.

GIGGLES N HUGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended December 27, 2015	Fiscal Year Ended December 28, 2014
Cash flows from operating activities		
Net loss	$(2,068,687)	$(2,357,310)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	367,549	350,115
Write off of intangibles	23,881	-
Amortization of debt discount	67,261	55,072
Shares issued for services	341,547	390,550
Loss on stock issuance for payable settlement	-	117,413
Gain on note payable modification	(69,228)	-
Loss on impairment	353,414	-
Accrued interest on note	(16,135)	161,489
Bonus shares issued to investors	200,200	-
Shares issued for legal settlement	-	105,750
Changes in operating assets and liabilities:		
Increase in prepaid expenses and deposits	(3,887)	(3,563)
Increase in security deposits, other	9,360	(3,250)
Decrease (increase) in inventory	(263)	4,347
Decrease (increase) in unamortized fees	-	68,390
(Decrease) increase in accounts payable	190,003	(41,889)
(Decrease) increase in lease incentive liability	(117,744)	(12,366)
Increase in accrued expenses	66,070	28,654
(Decrease) increase in accrued interest	-	(464)
(Decrease) increase in deferred revenue	8,897	2,910
Loss on impairment	353,414	-
Net cash used in operating activities	(647,762)	(1,134,152)
Cash flows from investing activities		
Purchase of fixed assets	(13,069)	(116,510)
Net cash used in investing activities	(13,069)	(116,510)
Cash flows from financing activities		
Proceeds from convertible note payable	238,500	50,000
Proceeds from lessor note payable	-	105,000
Proceeds from note payable	200,000	(33,416)
Proceeds from shares issued	449,485	1,206,094
Proceeds (payment) from related party	-	(40,000)
Payments to notes payable	(1,199)	-

Net cash provided by financing activities	886,786	1,287,678
NET INCREASE IN CASH	225,955	37,016
CASH AT BEGINNING OF THE YEAR	108,236	71,220
CASH AT END OF PERIOD	$334,191	$108,236
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$26,834	$52,373
Income taxes paid	$-	$2,400
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Shares issued to settle convertible notes payable	$50,000	$473,804
Accounts payable settled by share issuance	$68,282	$375,729
Conversion feature and discounts on notes payable credit to additional paid in capital	$145,151	-

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 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 its $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 2015 consists of a year ending December 27, 2015. Fiscal year 2014 consists of a year ending December 28, 2014.

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 December 27, 2015, the Company incurred a net loss of $2,068,687 used cash in operations of $647,762 and had a stockholders' deficit of $964,699 as of that date. In addition, the Company was behind in certain lease payments of one of its restaurant locations and was in default on a note payable of $683,316. 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 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 December 27, 2015, the Company had cash on hand in the amount of $334,191. Management estimates that the current funds on hand will be sufficient to continue operations through June 2016. 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

For the years ended December 27, 2015 and December 28, 2014, 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 affected impairment analysis for fixed assets, intangible assets, amounts of potential liabilities and valuation of issuance of equity securities issued for services. 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. At December 27, 2015 and December 28, 2014, the Company had cash deposits in two financial institutions that were above FDIC limits of $250,000. 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.

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. Based on management's assessment, as of December 27, 2015, the Company incurred a loss on impairment of $353,414, relating to the leasehold improvements at its Glendale store location. For the year ended December 28, 2014, there are no indications of 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 three 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 leased premises of which $700,000, $506,271, and $475,000 were reimbursed to Century City, 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.

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 December 27, 2015 and December 28, 2014, the assumed conversion of convertible note 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.

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 December 27, 2015 and December 28, 2014, the amount of gift cards sales were $4,448 and $4,212, 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 December 27, 2015 and December 28, 2014, there were $29,946 and $57,317, respectively in advertising costs included in general and administrative expenses.

Convertible Debentures

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

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:

	December 27, 2015	December 28, 2014
Leasehold improvements	$2,494,151	$2,847,565
Fixtures and equipment	85,267	85,267
Computer software and equipment	283,001	269,932
Property and equipment, total	2,862,419	3,202,764
Less: accumulated depreciation and amortization	(1,132,583)	(765,034)
Property and equipment, net	$1,729,836	$2,437,730

Depreciation expense was $367,549 and $350,115 for the fiscal years ended December 27, 2015 and December 28, 2014, respectively. As of December 27, 2015, leasehold improvements was reduced by an impairment charge of $353,414 recorded in 2015 related to Glendale store location due to a default on a note payable to an affiliated of the landlord (see Note 4). Repair and maintenance expenses for the years ended December 27, 2015 and December 28, 2014 were $111,977 and $81,548, respectively.

NOTE 3 – INCENTIVE FROM LESSOR

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

The balance of the incentive from lessor as of December 27, 2015 and December 28, 2014 was $1,198,098 and $1,315,843, and included deferred rent of $218,874 and $175,535, respectively. As of December 27, 2015, $134,644 of the incentive from lessor was current and $1,063,453 was long term. Amortization of the incentive from lessor was $117,745 and $83,617 for the fiscal years ended December 27, 2015 and December 28, 2014, 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 accrues 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. As of December 28, 2014 the principal balance due under the note was $666,584, with accrued interest due of $34,066, for an aggregate amount due of $700,650.

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 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 to be $619,377, net of a discount of $63,939. The Company analyzed whether the change in terms should be treated as a modification of debt or an extinguishment of debt. Based upon the Company's analysis, they determined that the change in terms resulted in more than a 10% change in fair value, and thus treated the change in terms as a debt extinguishment. As such, the Company recognized a gain of $69,228 on the debt extinguishment. 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 year ended December 27, 2015. The unamortized discount at December 27, 2015 was $35,094, and the net balance due was $648,222.

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 December 27, 2015, the Company was past due in its rental obligation and the Note is in default. As of December 27, 2015, the entire principal and accrued interest is due and payable and is classified as current liability due to the default under the note payable.

GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – CONVERTIBLE NOTE PAYABLE

A summary of convertible debentures payable as of December 27, 2015 and December 28, 2014 is as follows:

	December 27, 2015	December 28, 2014
Iconic Holdings, LLC	$161,250	$ -
J&N Invest LLC	50,000	-
Total Convertible Notes	211,250	-
Less: Discount	(139,471)	-
Net Convertible Notes	$71,779	-

Iconic Holdings, LLC - On December 21, 2015, Giggle 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. 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 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. Such amount will be recognized as a note discount and amortized over the life of the note. The Company amortized $1,822 of the discount during the year ended December 27, 2015.

The unamortized discount at December 27, 2015 was $107,505.

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 Company amortized $16,951 of the discount during the year ended December 27, 2015. The unamortized discount at December 27, 2015 was $33,049.

GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 matures 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 unamortized discount at December 27, 2015 was $60,306, and the net balance due was $204,694.

The terms of the note transaction are subject to adjustment on a retroactive basis should the Registrant enter into a financing transaction with terms that would have been more favorable to the lender at any time any portion of the note remains outstanding. The Company considered whether this potential adjustment had any effect on the accounting of the note at issuance. The Company believes this is a contingent transaction, not subject to estimation at this point, and any adjustment related to this conversion feature, if any, will be accounted for at the date it occurs.

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. 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 $174,000 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 .5% of the outstanding balance as of each disbursement date. At December 27, 2015, the advance for the month of December 2015 had been entirely paid off and there was no amount due as of that date.

F-16

GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – COMMON STOCK

Issuance of Common Stock

December 27, 2015

During the 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.

During the year ended December 27, 2015, the Company issued 423,268 shares of its common stock valued at $68,282 in settlement of accounts payable balances.

During the year ended December 27, 2015, the Company issued 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 December 27, 2015, 555,556 of these shares valued at $25,000 have not yet been issued.

During the year ended December 27, 2015, the Company 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.

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

GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – COMMON STOCK (CONTINUED)

December 28, 2014

During the year ended December 28, 2014, the Company issued 1,646,388 shares of its common stock valued at $509,522 for services. The shares were valued based on the closing price of the stock on the date of agreement.

During the year ended December 28, 2014, the Company issued 722,337 shares of its common stock valued at $493,142 in settlement of accounts payable balances.

During the year ended December 28, 2014, the Company issued 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.

During the year ended December 28, 2014 the Company issued 2,096,118 shares of its common stock valued at $473,804 for the conversion of a Note payable.

During the year ended December 28, 2014 the Company issued 1,228,175 shares of its common stock valued at $170,095 for the exercise of warrants conversion feature.

NOTE 9 – STOCK OPTIONS AND WARRANTS

Employee Stock Options

The following table summarizes the changes in the options outstanding at December 27, 2015, and at December 28, 2014, and the related prices for the shares of the Company's common stock issued to employees of the Company under a non-qualified employee stock option plan.

	Stock Options	Weighted Average Exercise Price
Outstanding, December 29, 2013	175,000	$ 4.50
Granted	-	-
Exercised	-	-
Expired/Cancelled	(40,000)	-
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

As of December 27, 2015, the stock options had no intrinsic value due to the low stock price of the Company's stock.

There were no options granted during the fiscal years ended December 27, 2015, and December 28, 2014.

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 December 27, 2015 and December 28, 2014.

GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – STOCK OPTIONS AND WARRANTS (CONTINUED)

Warrants

The following table summarizes the changes in the warrants outstanding at December 27, 2015, and December 28, 2014, and the related prices.

	Warrants	Weighted Average Exercise Price
Outstanding, December 29, 2013	575,675	$ 0.37
Granted	547,400	0.06
Exercised	(744,565)	0.12
Outstanding, December 28, 2014	378,510	$ 0.16
Granted	386,219	0.05
Exercised	(406,621)	0.01
Expired/Cancelled	(191,608)	-
Outstanding, December 27, 2015	166,500	$ 0.13
Exercisable, December 27, 2015	166,500	$ 0.13

Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
$0.01 ~ $0.37	166,500	$ 0.13	6.14	166,500	$ 0.13
	166,500		6.14	166,500	

As of December 27, 2015, the stock warrants had no intrinsic value due to the low stock price of the Company’s stock.

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.

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. The warrants are exercisable at $0.01 per shares and $0.15 per share, and will expire in three years.

GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Company leases its restaurant locations under an operating lease, with the remaining term being 10 years. Restaurant leases typically include land and building shells, require contingent rent above the minimum base rent payments based on a percentage of sales ranging from 7% to 10%, have escalating minimum rent requirements over the term of the lease and require various expenses incidental to the use of the property. The lease also has a renewal option, which Century City may exercise in the future. The Company's current lease at Century City 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. In October 2015, Westfield group, the landlord of our Century City location embarked on a massive $700 million renovation of the mall. In March 2016 (Westfield) approached the Company about recapturing its Century City space due to the remodeling. Currently, approximately 90% of the mall is closed or being remodeled with the completion expected sometime during 2017. Negotiations are ongoing, and the Company expects to receive compensation that will exceed the net book value of its assets. Based on our discussions, the store is expected to close late in the third quarter, and the Company will be relived of its remaining lease obligation.

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. '

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. As of December 27, 2015, the Company was in default of certain of the payments due under this lease, which caused a default under a note payment due to affiliate of lessor (see Note 4). As a result of this default, the Company incurred an impairment charge of $353,414 relating to the leasehold improvements at this location.

Rent expense for the Company's restaurant operating leases was $627,668 and $606,714 for the fiscal years ended December 27, 2015 and December 28, 2014, respectively, and is included as part of the cost of operations.

As of December 27, 2015, the aggregate minimum annual lease payments under operating leases, including amounts characterized as deemed landlord financing payments are as follows:

2016	$654,007
2017	678,102
2018	703,100
2019	729,033
2020	561,787
Thereafter	1,124,448
Total	$ 4,450,477

GIGGLES N HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

As of December 27, 2015, due to the nonpayment of our lease obligations to Glendale II Mall Associates, we are in default under our promissory note Dated March 1, 2015 in favor of GGP Limited Partnership ("GGP"). The entire principal and accrued interest of $683,316, is due and payable, and is classified as current liability.

We do not currently have any other material pending legal proceedings outside ordinary routine litigations incidental to our business.

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 December 27, 2015 and December 28, 2014, 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 December 27, 2015 and December 28, 2014, the Company had $6,472,000 and $5,389,000, respectively of federal and state net operating loss carryforwards. The net operating loss carryforwards, if not utilized, will begin to expire in 2022.

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:

	December 27, 2015	December 28, 2014
Tax provision (benefits) computed at the statutory rate (39.83%)	$(431,000)	$(939,020)
Valuation allowance for deferred tax assets	429,618	936,620
Income tax expense	$1,382	$2,400

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:

	December 27, 2015	December 28, 2014
Net operating loss carryover	$2,578,000	$2,146,000
Other	(624,000)	(231,000)
Total defered tax assets	1,954,000	1,915,000
Valuation allowance	(1,954,000)	(1,915,000)
Net deferred tax asset	$-	$-

F-21

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 December 27, 2015 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

During the First Quarter ended March 27, 2016, the Company issued 815,000 shares of common stock for services rendered with a value of $68,020.

In October 2015, Westfield group, the landlord of our Century City location embarked on a massive $700 million renovation of the mall. In March 2016 (Westfield) approached the Company about recapturing its Century City space due to the remodeling. Currently, approximately 90% of the mall is closed or being remodeled with the completion expected sometime in mid 2017. Negotiations are ongoing, and the Company expects to receive compensation that will exceed the net book value of its assets. Based on our discussions, the store is expected to close late in the third quarter. The Company is in active discussions with Westfield and other national mall groups on potential new locations.