

Giggles N' Hugs, Inc.  
Form 10-K  
April 14, 2017

UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-K**

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

**For the fiscal year ended January 1, 2017**

**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)

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

**3222 Glendale Galleria Way, Glendale, CA 91210**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(818) 956-4847**

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 [ ]

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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  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.

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

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

Yes  No

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 26, 2016 (the last business day of the registrant's second quarter) was \$1,989,577 based on a share value of \$0.08.

The number of shares of Common Stock, \$0.001 par value, outstanding on April 14, 2017 was 134,372,251 shares.

DOCUMENTS INCORPORATED BY REFERENCE: None.



GIGGLES N HUGS, INC.  
**FOR THE YEAR ENDED**  
**JANUARY 1, 2017**

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## 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;

other statements regarding our future operations, financial condition and prospects and business strategies.

Forward-looking statements may appear throughout this report. 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 expressions. Accordingly, these statements involve estimates, assumptions and uncertainties, which could cause actual results to differ materially from those expressed in them. Any forward-looking

statements are qualified in their entirety by reference to the factors discussed throughout this document. All forward-looking statements concerning economic conditions, rates of growth, rates of income or values as may be included in this document are based on information available to us on the dates noted, and we assume no obligation to update any such forward-looking statements.

Management cautions that forward-looking statements are qualified by their terms and/or important factors, many of which are outside of our control, involve a number of risks, uncertainties and other factors that could cause actual results and events to differ materially from the statements made. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements.

Certain risks and uncertainties could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us, and you should not place undue reliance on any such forward-looking statements. Actual results or outcomes may differ materially from those expressed in any forward-looking statements made by us, and you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made and we do not undertake any obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any 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 currently owns and operates kid-friendly restaurants named Giggles N Hugs in the 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 a unique restaurant concept 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 The Talk on CBS, KTLA morning news, KABC, TV Guide Channel, FOX Business 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, In Touch magazine, Life and Style Magazine, Wall street Journal, and the LA Business Journal to name a few. 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 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, food and beverage sales, beer and wine sales, admission and monthly membership fees, private party rentals, and in-store merchandise. In June 2016, the Century City mall began a \$700 million remodeling of the Westfield Shopping Mall, which closed 90% of the retailers, including the Giggles N Hugs store which sold its lease back to Westfield.

### 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.

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.

***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.

Also, through our recent engagement of Domain and Michelle Steinburg, who joined our team in early 2016, we've brought on two high-profile brand ambassadors, Jillian Michaels and Tia Mowry-Hardict. We hope to attract other celebrities to help us spread the Giggles N' Hugs story further, extending our reach. With Domain's help, we intend on having our brand ambassadors appear on national talk and entertainment shows on major networks and cable TV outlets.



## 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](http://www.gigglesnhugs.com) domain name. We consider our trademarks and other intellectual property rights to be important to our branding strategy and business success.

### Personnel

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

### 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.

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## ITEM 2. PROPERTIES

We currently maintain two locations:

Westfield Mall Topanga location at 6600 Topanga Canyon Blvd, Canoga Park, CA 91303. Our current monthly rent at this location is \$20,387. The lease started on March 23, 2013.

Glendale Galleria location at 3222 Glendale Galleria Way, Glendale, CA 91210. Our current monthly rent at this location is \$12,660. The lease started in November 2013.

Previously, the Company had a store located at the Westfield Mall Century City at 10250 Santa Monica Blvd., #155, Los Angeles, California 90067. The lease started on August 1, 2010, however, in March 2016, the Lessor approached the Company about recapturing its Century City space due to a major remodeling. Approximately 90% of the mall was closed or being remodeled with the completion expected sometime during 2017. On May 13, 2016, Giggles N' Hugs, Inc. entered into a Termination of Lease Agreement with Century City Mall, LLC ("landlord"), accelerating the termination date of the Lease dated January 13, 2010 for its store located in Westfield Century City, Los Angeles, California. Pursuant to the agreement, the lease was terminated in June, 2016 and the landlord agreed to a monetary reimbursement of \$350,000 which was received by June 26, 2016.

## ITEM 3. LEGAL PROCEEDINGS

St. George Investments, LLC v Giggles N' Hugs

On March 23, 2017, St. George Investments, LLC ("St. George") served an arbitration demand and summons claiming that the Company had breached its obligations under a convertible note by preventing St. George from converting the remaining balance of the note to common stock. The parties disagree as to the conversion price set in the note agreement due to execution by the parties of different versions of the document. St. George has claimed for additional damages. We believe these claims lack merit and have retained counsel to vigorously defend this action and present cross claims for mistake, rescission, breach of the covenant of good faith and fair dealing and unjust enrichment (See Note 6).

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

### ITEM MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND SMALL 5. 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.

	2016		2015	
	BID PRICES	BID PRICES	BID PRICES	BID PRICES
	High	Low	High	Low
1st Quarter	\$0.09	\$0.08	\$0.32	\$0.28
2nd Quarter	\$0.08	\$0.07	\$0.20	\$0.18
3rd Quarter	\$0.05	\$0.04	\$0.17	\$0.16
4th Quarter	\$0.01	\$0.01	\$0.17	\$0.14

#### Holder of Common Stock

As of April 14, 2017, we had approximately 88 active stockholders of record of the 134,372,251 shares outstanding. The closing stock price on April 14, 2017 was \$0.16.

#### 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 January 1, 2017.

#### 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.

As of the year ended January 1, 2017, there were no changes during the year, and 115,000 stock options remain outstanding.

#### 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 January 1, 2017.

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

**ITEM 6. SELECTED FINANCIAL DATA**

\*Not applicable.

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

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.

The Century City mall began a \$700 million remodeling of the Westfield Shopping Mall, which closed 90% of the retailers, including the Giggles N Hugs store.

On May 13, 2016, Giggles N' Hugs, Inc. entered into a Termination of Lease Agreement with Century City Mall, LLC ("landlord"), accelerating the termination date of the Lease dated January 13, 2010 for its store located in Westfield Century City, Los Angeles, California. Pursuant to the agreement, the lease terminated June 30, 2016 and the landlord agreed to a monetary reimbursement of \$350,000 which was received by June 26, 2016. As such, sales from June 30, 2016 only include operations from two stores, as compared to three stores in the prior fiscal year.

The Company continues to operate its restaurants in Westfield Mall in Topanga, California and in the Glendale Galleria Mall in Glendale, California.

## RESULTS OF OPERATIONS

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

\*Not divisible by zero

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

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

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

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

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

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

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

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

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



**LIQUIDITY AND CAPITAL RESOURCES**

As of January 1, 2017, we had \$144,520 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 January 1, 2017 and December 27, 2015.

	Fiscal Year Ended January 1, 2017	Fiscal Year Ended December 27, 2015
Net cash used in operating activities	\$(518,526)	\$(647,762)
Net cash provided (used) in investing activities	360,500	(13,069 )
Net cash (used) provided by financing activities	(31,645 )	886,786
Net (decrease) increase in Cash	(189,671)	225,955
Cash, beginning of year	334,191	108,236
Cash, end of year	\$144,520	\$334,191

**Operating activities**

Net cash used in operating activities was \$518,526 for the year ended January 1, 2017 compared to \$647,762 used in operating activities for year ended December 27, 2015. This improvement of \$129,236 between the two periods mostly resulted from reduced cost from the closing of the Century City store, together with higher sales from the other two stores for the year ended January 1, 2017.

**Investing activities**

Net cash of \$350,000 was provided in investing activities during the year ended January 1, 2017, which resulted from the closure of the Century City office as the landlord, Westfield Mass paid for the early termination of the lease. In addition, the furniture and fixtures were sold for another \$10,500. Net cash used in investment activities for the year ended December 27, 2015 was \$13,069 due to the purchase of certain fixed assets.

## Financing activities

Net cash used for financing activities for the year ended January 1, 2017 was \$31,645 for payments on a promissory note and a note payable, while net cash of \$886,786 was provided for the year ended December 27, 2015, from proceeds received from issuance of shares of common stock and a convertible note payable.

## 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 January 1, 2017, the Company incurred a net loss of \$1,386,955 used cash in operations of \$518,526 and had a stockholders' deficit of \$2,093,025 as of that date. These factors raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. The ability of the Company to continue as a going concern is dependent upon the Company's ability to raise additional funds and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company has and will continue to use significant capital to grow and acquire market share. At January 1, 2017, the Company had cash on hand in the amount of \$144,520. Management estimates that the current funds on hand will be sufficient to continue operations through June 2017. Management is currently seeking additional funds, primarily through the issuance of debt and equity securities for cash to operate its business. No assurance can be given that any future financing will be available or, if available, that it will be on terms satisfactory to the Company. Even if the Company is able to obtain additional financing, it may contain undue restrictions on its operations, in the case of debt financing or cause substantial dilution for our stockholders, in the case of equity financing.

#### Notes Payables

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 accrued interest at a rate of 10% through October 15, 2015, 12% through October 31, 2017, and 15% through October 31, 2023 and matures on October 31, 2023.

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

On August 12, 2016, the Company entered into a third amendment on its lease at The Glendale Galleria. The amendment covered several areas, including adjustment to percentage rent payable, reduced the minimum rent payable, along with the payment and principal of Promissory Note. The Promissory Note was adjusted to a balance due of \$763,261.57 from \$683,316, with zero percent interest, payable in equal monthly instalments of \$5,300 through maturity of Note on May 31, 2028. The Company imputed interest using a discount rate of 10% to determine a fair value of the note of \$433,521.

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).



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.

During the period ended January 1, 2017, the Company converted \$77,059 of principal into 2,555,906 shares of common stock. As of January 1, 2017 the balance of principal due was \$84,191. The entire outstanding balance was subsequently converted to shares of common stock in February 2017.

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.

St. George Investments, LLC - The Company executed into a Promissory Note Agreement with St. George Investments, LLC, (“Holder”) dated December 18, 2015, with a principal amount of \$265,000 due in full on June 18, 2016. The Note went into default when the Company failed to make payment on the due date. Consequently, on July 8, 2016, the Company entered into an Exchange Agreement with St. George Investments, LLC, to replace the original Promissory Note with a new Convertible Promissory Note (“Note”) carrying the following terms and conditions.

1. The new Note will add 10% (\$26,500) to the original principal as an Exchange Fee, making the new principal amount \$291,500.
2. The Note shall carry an interest rate of 8% per annum
3. The Note carries a Conversion clause that allows the Holder to have a cashless conversion into shares of Common Stock for all or part of the principal, at a price equal to the average market price for 20 days prior to the conversion,  
  
In conjunction with the conversion provision, the Company agreed to an Irrevocable Letter of Instructions to Transfer Agent, along with a Secretary’s Certificate and Board Resolution, which allows a Share Reserve equal to  
4. three times the number of shares of Common Stock divided by outstanding debt by the defined conversion price, but not less than 18,000,000 shares.

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

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

During the fiscal year ended January 1, 2017, the Holder converted \$81,300 of debt into 9,261,973 shares of Common Stock. In addition, the Company paid \$20,841 of the principal balance. The balance outstanding as of January 1, 2017 was \$183,359 plus \$3,981 of accrued interest, and is past its maturity date of September 15, 2016.

### ***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 location.

**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.

## 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

We have had no disagreements with our independent auditors on accounting or financial disclosures.

## 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 January 1, 2017. 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.

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## 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	48	President, Treasurer and Director	December 30, 2011
Sean Richards	47	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.



## 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 January 1, 2017 and December 27, 2015.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity	Nonqualified	All Other	Total (\$)
						Incentive Plan Compensation (\$)	Deferred Compensation (\$)	Compensation (\$)	
Joey Parsi(1) President and Treasurer	2016	300,000	-0-	-0-	-0-	-0-	-0-	-0-	300,000
	2015	300,000	-0-	-0-	-0-	-0-	-0-	-0-	300,000
Sean Richards(2), COO and Secretary	2016	95,000	8,650	0	-0-	-0-	-0-	-0-	103,650
	2015	95,000	1,000	13,500	-0-	-0-	-0-	-0-	109,500

(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

In connection with Mr. Sean Richards appointment as Secretary and Chief Operations Officer 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 the immediate vesting. Additionally, in 2015, he received a base annual salary of \$95,000 and a \$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 January 1, 2017, no additional options were granted, while 20,000 shares were forfeited. There are 115,000 exercisable shares that remain outstanding as of January 1, 2017.

#### 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 March 31, 2017 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 March 31, 2017 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	27,382,825 (2)	13.33	%
	Sean Richards	750,000 (3)	0.30	%
	All Beneficial Owners as a Group	18,023,825	13.63	%

(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 3222 Galleria Way, Glendale, CA 91210

(2) Of the 27,382,825 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 18,570,912 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. There were 50,000

shares and 350,000 shares granted and issued to Mr. Richards in March 2015 and January 2017, respectively.

#### 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.

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

**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 January 1, 2017, 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 January 1, 2017 and 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 for the audit of our annual financial statements for the years ended January 1, 2017 and December 27, 2015.

	Fiscal Years Ended <b>January 1, 2017</b>	Fiscal Years Ended <b>December 27, 2015</b>
Audit Fees(1)	\$ 40,500	\$ 37,000
Total	\$40,500	\$ 37,000

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

Exhibit Number	Exhibit Description	Filed herewith	Incorporated by reference		
			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 X Section 906 of the Sarbanes-Oxley Act.	X	8-K		2/27/2012
99.4	2012 Stock Option Plan – Dated February 2, 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			

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

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 14, 2017

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
<i>/S/ Joey Parsi</i>		April 14, 2017
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 FISCAL YEARS ENDED JANUARY 1, 2017**

**AND DECEMBER 27, 2015**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

Giggles N' Hugs, Inc.

Los Angeles, California

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

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

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

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

WEINBERG & COMPANY, P.A.

Los Angeles, California

April 14, 2017

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

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

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

See Accompanying Notes to Consolidated Financial Statements.



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

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

See Accompanying Notes to Consolidated Financial Statements.

## GIGGLES N HUGS, INC.

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**

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

See Accompanying Notes to Consolidated Financial Statements.

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

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

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Proceeds from shares issued	-	449,485
Payments to promissory note payable	(20,841 )	-
Payments to note payable-lessor	(10,804 )	(1,199 )
Net cash provided (used in) by financing activities	(31,645 )	886,786
NET INCREASE (DECREASE) IN CASH	(189,671 )	225,955
CASH AT BEGINNING OF THE YEAR	334,191	108,236