Giggles N' Hugs, Inc.
Form 10-Q
November 14, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2018

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

Commission files number 000-53948

GIGGLES N HUGS, INC.

(Exact name of registrant as specified in its charter)

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

3222 Galleria Way, Glendale, CA 91210

(Address of principal executive offices) (Zip Code)

(818) 956-4847

(Registrant's telephone number, including area code)

Copies of Communications to:

Libertas Law Group, Inc.

225 Santa Monica Blvd., 11th Floor

Santa Monica, CA 90401

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

Yes [X] No [ ]

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

Yes [X] No [ ]

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

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

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

Yes [ ] No [X]

The number of shares of Common Stock, $0.001 par value, outstanding on November 14, 2018 was 168,124,080 shares.

GIGGLES N' HUGS, INC.

TWENTY-SIX WEEKS ENDED SEPTEMBER 30, 2018

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

GIGGLES N' HUGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2018 (Unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$103,267	$131,336
Inventory	23,607	24,710
Prepaid expenses, other	24,783	21,196
Total current assets	151,657	177,242
Fixed assets:		
Total fixed assets, net	563,828	740,189
Other assets	2,620	2,620
Total assets	$718,105	$920,051
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$568,623	$677,692
Incentive from lessor – current portion	113,605	102,168
Note payable from lessor, in default	420,881	422,361
Accrued expenses	124,998	250,876
Accrued officers salary	414,086	375,900
Deferred revenue	21,305	6,530
Convertible note payable	50,000	50,000
Total current liabilities	1,713,498	1,885,527
Long-term liabilities:		
Incentive from lessor – long-term	463,771	550,839
Deferred gain	349,674	401,262
Total long-term liabilities	813,445	952,101

Total liabilities	2,526,943	2,837,628
Stockholders' deficit:		
Common stock, $0.001 par value, 1,125,000,000 shares authorized, 168,124,080 and 145,602,251 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	168,124	145,602
Common stock issuable (1,397,619 shares as of September 30, 2018 and December 31, 2017, respectively)	293,535	293,535
Additional paid-in capital	10,508,194	9,874,936
Accumulated deficit	(12,778,691)	(12,231,650)
Total stockholders' deficit	(1,808,838)	(1,917,577)
Total liabilities and stockholders' deficit	$718,105	$920,051

See Accompanying Notes to Condensed Consolidated Financial Statements.

GIGGLES N' HUGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Thirteen Weeks Ended September 30, 2018	Thirteen Weeks Ended October 1, 2017	Thirty -Nine Weeks Ended September 30, 2018	Thirty -Nine Weeks Ended October 1, 2017
Revenue				
Net sales	$677,838	$652,977	$1,871,138	$1,890,505
Costs and operating expenses				
Cost of operations	476,888	485,308	1,443,351	1,418,263
General and administrative expenses	178,340	277,841	760,081	1,463,397
Depreciation and amortization	56,211	64,205	176,361	192,342
Total operating expenses	711,439	827,354	2,379,793	3,074,002
Loss from Operations	(33,601)	(174,377)	(508,655)	(1,183,497)
Other income (expenses):				
Finance and interest expense	(10,850)	(12,876)	(36,986)	(76,919)
Change in fair value of derivatives	-	-	-	(50,629)
(Loss) gain on extinguishment of derivatives	-	-	-	185,604
Loss on extinguishment of debt	-	-	-	(186,818)
Loss on settlement	(400)	-	(1,400)	-
Loss before provision for income taxes	(44,851)	(187,253)	(547,041)	(1,312,259)
Provision for/benefit from income taxes	-	-	-	(2,650)
Net loss	$(44,851)	$(187,253)	$(547,041)	$(1,314,909)
Net loss per share – basic and diluted	$(0.00)	$(0.00)	$(0.00)	$(0.01)
Weighted average number of common shares outstanding – basic and diluted	165,867,413	144,102,251	160,599,026	125,101,775

See Accompanying Notes to Condensed Consolidated Financial Statements.

GIGGLES N’ HUGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ DEFICIT

(Unaudited)

	Common Stock		Additional Paid in	Stock	Accumulated	Total Stockholders’
	Shares	Amount	Capital	Issuable	Deficit	Deficit
Balance December 31, 2017	145,602,251	$145,602	$9,874,936	$293,535	$(12,231,650)	$(1,917,577)
Shares issued for cash	19,791,829	19,792	573,963			593,755
Fair value of shares issued for employees compensation	200,000	200	4,400			4,600
Fair value of shares issued to settle accounts payable	1,500,000	1,500	39,150			40,650
Fair value of shares issued for professional services	1,030,000	1,030	15,745			16,775
Net loss					(547,041)	(547,041)
Balance July 1, 2018	168,124,080	$168,124	$10,508,194	$293,535	$(12,778,691)	$(1,808,838)

See Accompanying Notes to Condensed Consolidated Financial Statements.

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GIGGLES N' HUGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Thirty-Nine Weeks ended September 30, 2018	Thirty-Nine Weeks ended October 1, 2017
Cash flows from operating activities		
Net loss	$ (547,041)	$ (1,314,909)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	176,361	192,342
Stock-based compensation	4,600	28,470
Loss on stock issuance for payable settlement	1,400	109,096
Warrants vested for services	-	531,000
Interest and fees included in note payable	3,520	15,318
Shares issued for services	16,775	45,144
Gain on extinguishment of derivative liability	-	(185,604)
Change in fair value of derivative liability	-	50,629
Promissory note settlement	-	186,818
Changes in operating assets and liabilities:		
Increase in prepaid expenses and deposits	(3,587)	(5,400)
Decrease (increase) in inventory	1,103	(4,953)
(Decrease) increase in accounts payable	(69,819)	133,857
Decrease in lease incentive liability	(75,631)	(64,602)
(Decrease) increase in accrued expenses	(87,692)	89,648
Increase (decrease) in deferred revenue	14,775	(10,084)
Decrease amortization of deferred gain	(51,588)	(10,657)
Net cash used in operating activities	(616,824)	(213,887)
Cash flows from financing activities		
Payment on note payable-lessor	(5,000)	-
Payments on promissory note payable	-	(11,498)
Proceeds from common stock issuable	-	75,000
Proceeds received from sale of stock upon note settlement	-	110,000
Proceeds from sale of common shares	593,755	-
Net cash provided by financing activities	588,755	173,502
NET INCREASE (DECREASE) IN CASH	(28,069)	(40,385)
CASH AT BEGINNING OF PERIOD	131,336	144,520
CASH AT END OF PERIOD	$ 103,267	$ 104,135

NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Shares issued to settle convertible notes payable	$ -	$ 835,847
Reclass of notes payable to accrued interest	-	3,125
Shares issued to settle payable	$ 39,250	$ 136,904

See Accompanying Notes to Condensed Consolidated Financial Statements.

GIGGLES N' HUGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Thirty-Nine Weeks ended September 30, 2018 and October 1, 2017

(Unaudited)

NOTE 1 – HISTORY AND ORGANIZATION

Giggles N' Hugs, Inc. ("GIGL Inc." or the "Company") was originally organized on September 17, 2004 under the laws of the State of Nevada, as Teacher's Pet, Inc. GIGL Inc. was organized to sell teaching supplies and learning tools. On August 20, 2010, GIGL Inc. filed an amendment to its articles of incorporation to change its name to Giggles N' Hugs, Inc.

On December 30, 2011, GIGL Inc. completed the acquisition of all the issued and outstanding shares of GNH, Inc. ("GNH"), a Nevada corporation, pursuant to a Stock Exchange Agreement. For accounting purposes, the acquisition of GNH by GIGL Inc. has been recorded as a reverse merger. Giggles N Hugs restaurant concept brings together high-end, organic food with the play elements and entertainment for children. Giggles N Hugs offers an upscale, family-friendly atmosphere with a play area dedicated to children ages 10 and younger with nightly entertainment, such as magic shows, concerts, puppet shows, as well as activities and games which include face painting, dance parties, karaoke, and arts and crafts,

The Company adopted a 52/53 week fiscal year ending on the Sunday closest to December 31st for financial reporting purposes. Fiscal year 2018 and 2017 consists of a year ending December 30, 2018 and December 31, 2017.

NOTE 2 – BASIS OF PRESENTATION

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

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these interim financial statements be read in conjunction with the financial statements of the Company for the year ended December 31, 2017 and notes thereto included in the Company's annual report on Form 10-K. The Company follows the same accounting policies in the preparation of interim reports. The condensed consolidated balance sheet as of December 31, 2017 included herein was derived from the audited consolidated financial statements as of that date, but does not included all disclosures, including notes, required by GAAP.

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going concern

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying condensed consolidated financial statements, during the thirty-nine weeks ended September 30, 2018, the Company incurred a net loss of $547,041, used cash in operations of $616,824, and had a stockholders' deficit of $1,808,838 as of that date. In addition, the note payable to the Company's landlord was in default. These factors raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon the Company's ability to raise additional funds and implement its business plan. In addition, the Company's independent registered public accounting firm in its report on the December 31, 2017 financial statements has raised substantial doubt about the Company's ability to continue as a going concern within one year from the date that the financial statements are issued. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company had cash on hand in the amount of $103,267 as of September 30, 2018. Management estimates that the current funds on hand will be sufficient to continue operations through December 2018. Management is currently seeking additional funds, primarily through the issuance of debt and equity securities for cash to operate our business. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if the Company can obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stock holders, in case or equity financing.

Principles of consolidation

The condensed consolidated financial statements include the accounts of Giggles N Hugs, Inc., GNH, Inc., GNH CC, Inc. for restaurant operations in Westfield Mall in Century City, California (which was closed June 30, 2016 due to a complete remodel of the Mall), GNH Topanga, Inc. for restaurant operations in Westfield Topanga Shopping Center in Woodland Hills, California, and Glendale Giggles N Hugs, Inc. for restaurant operations in Glendale Galleria in Glendale, California. Intercompany balances and transactions have been eliminated. Giggles N Hugs, Inc., GNH, Inc., GNH CC, Inc., GNH Topanga, Inc., and Glendale Giggles N Hugs, Inc. will be collectively referred herein to as the "Company".

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions used by management including assumptions made in impairment analysis of fixed assets, accruals of potential liabilities, valuation of derivative liabilities and equity securities issued for services and realization of deferred tax assets. Actual results could differ from those estimates.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), (ASC 606). The underlying principle of ASC 606 is to recognize revenue to depict the transfer of goods or services to customers at the amount expected to be collected. ASC 606 creates a five-step model that requires entities to exercise judgment when considering the terms of contract(s), which includes (1) identifying the contract(s) or agreement(s) with a customer, (2) identifying our performance obligations in the contract or agreement, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations, and (5) recognizing revenue as each performance obligation is satisfied.

Under ASC 606, revenue is recognized when performance obligations under the terms of a contract are satisfied, which occurs for the Company upon shipment or delivery of products or services to our customers based on written sales terms, which is also when control is transferred. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring the products or services to a customer.

The Company adopted the guidance of ASC 606 on January 1, 2018. The implementation of ASC 606 had no impact on the condensed consolidated financial statements and no cumulative effect adjustment was recognized.

Loss per common share

Net loss per share is provided in accordance with ASC Subtopic 260-10. We present basic loss per share (“EPS”) and diluted EPS on the face of statements of operations. Basic EPS is computed by dividing reported losses by the weighted average shares outstanding. Except where the result would be anti-dilutive to income from continuing operations, diluted earnings per share has been computed assuming the conversion of the convertible long-term debt and the elimination of the related interest expense, and the exercise of stock options and warrants. Loss per common share has been computed using the weighted average number of common shares outstanding during the year. For the period ended September 30, 2018, the assumed conversion of convertible notes payable and the exercise of 19,967,917 stock warrants, and 115,000 options to acquire shares of common stock are anti-dilutive due to the Company’s net losses and are excluded in determining diluted loss per share.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock-based compensation

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

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

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

Recent Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases. ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is in the process of evaluating the impact of ASU 2016-02 on the Company's financial statements and disclosures, and believes the adoption of the pronouncement will result in the recording of lease assets and lease liabilities of approximately $1,500,000 to our balance sheet upon adoption.

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

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at:

	September 30, 2018	December 31, 2017
Leasehold improvements	$1,889,027	$1,889,027
Fixtures and equipment	60,310	60,310
Computer software and equipment	267,372	267,372
Property and equipment, total	2,216,709	2,216,709
Less: accumulated depreciation	(1,652,881)	(1,476,520)
Property and equipment, net	$563,828	$740,189

Depreciation and amortization expense for the thirteen weeks and thirty-nine weeks ended September 30, 2018 were $56,211 and $176,361, respectively, and for the thirteen weeks and thirty-nine weeks ended October 1, 2017 were $64,205 and $192,342, respectively. Repair and maintenance expense for the thirteen weeks and thirty-nine weeks ended September 30, 2018 were $15,528.19 and $46,046, respectively, and for thirteen weeks and thirty-nine weeks ended October 1, 2017 were $15,071 and $48,851, respectively,

Management assesses the carrying value of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If there is indication of impairment, management prepares an estimate of future cash flows expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. For the periods ended September 30, 2018 and December 31, 2017, there were no indications of further impairment based on management's assessment of these assets.

NOTE 5 – NOTE PAYABLE FROM LESSOR – In Default

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

On August 12, 2016 the Company entered into a third amendment on its lease at The Glendale Galleria. The amendment covered several areas, including adjustment to percentage rent payable, reduced the minimum rent payable, along with the payment and principal of Promissory Note. The Promissory Note was adjusted to a balance due of $763,261 from $683,316, with no interest, payable in equal monthly instalments of $5,300 through maturity of Note on May 31, 2028. The Company imputed interest using a discount rate of 10% to determine a fair value of the note of $443,521. As of December 31, 2017 and September 30, 2018 the balance of note payable net of unamortized note discount $422,361 and $420,881 respectively.

The lender under the Note is GGP Limited Partnership (GGP). GGP is an affiliate of Glendale II Mall Associates, the lessor of the Company's Glendale Mall restaurant location. In accordance with the note agreement, an event of default would occur if the Borrower defaults under the lease between the Company and Glendale II Mall Associates. Upon the occurrence of an event of default, the entire balance of the Note payable and accrued interest would become due and payable, and the balance due becomes subject to a default interest rate (which is 5% higher than the defined interest rate). As of September 30, 2018, the Company was delinquent in its payments to GGP under the note, and as such, the Note has been reflected as currently due and disclosed as in default.

NOTE 6 – CONVERTIBLE NOTE PAYABLE

On August 24, 2015, the Company entered into an unsecured Note Payable Agreement with an investor for which the Company issued a $50,000 Convertible Note Payable, which accrues interest at a rate of 5% per annum and matured on August 31, 2016. The Lender may also convert all or a portion of the Note Payable at any time into shares of common stock at a price of $0.10 per share. The balance of the Note was $50,000 as of September 30, 2018 and December 31, 2017 and was past due.

NOTE 7 – BUSINESS LOAN AND SECURITY AGREEMENT

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

The loan requires a loan fee of 0.5% of the outstanding balance as of each disbursement date. The Company received the last loan from American Express Bank in May of 2018. As of September 30, 2018, there is no outstanding balance and the loan was terminated.

NOTE 8 – COMMON STOCK

Issuance of Common Stock

On April 19, 2018, Giggles N' Hugs Inc. closed a public rights offering. The Company sold 19,791,829 units at a price of $.03 per unit. Each unit consists of one share of common stock and 0.70 of a warrant. Each whole warrant will be exercisable for one share of common stock at a price of $.06. per share. In the aggregate 19,791,829 shares of common stock and 13,854,274 warrants were issued for gross proceeds, before expenses and dealer-manager fees, of $593,755.

During the thirty-nine weeks ended September 30, 2018, the Company granted and issued 200,000 shares of restricted common stock with a fair value of $4,600 for services.

During the thirty-nine weeks ended September 30, 2018, the Company issued 1,500,000 shares of common stock in settlement of an accounts payable amounting to $39,250. The fair value of the shares issued was $40,650 based on the fair value of the shares on the date of settlement resulting in an additional cost to the Company of $1,400.

During the thirty-nine weeks ended September 30, 2018, the Company issued 1,030,000 shares of common stock at fair value of $16,775 for services.

Employee Stock Options

The following table summarizes the changes in the options outstanding at September 30, 2018, and the related prices for the shares of the Company's common stock issued to employees of the Company under a non-qualified employee stock option plan.

	Options	Exercise Price
Outstanding, December 31, 2017	115,000	$ 4.50
Granted	-	-
Exercised	-	-
Outstanding, September 30, 2018	115,000	$ 4.50

Exercisable, September 30, 2018	115,000	$ 4.50

As of September 30, 2018, the stock options had no intrinsic value.

There were no options granted during the fiscal quarter ended September 30, 2018, and there was no stock-based compensation expense in connection with options granted to employees.

NOTE 8 – COMMON STOCK (CONTINUED)

Warrants

The following table summarizes the changes in the warrants outstanding at September 30, 2018, and the related prices.

A summary of the Company's warrants as of September 30, 2018 is presented below:

	Warrants	**Weighted Average Exercise Price**
Outstanding, December 31, 2017	6,113,643	$ 0.11
Granted	13,854,274	-
Exercised	-	-
Outstanding, September 30, 2018	19,967,917	$ 0.07
Exercisable, September 30, 2018	19,967,917	$ 0.07

Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
$0.01 ~ $0.37	6,113,643	$ 0.07	2.31	6,113,643	$ 0.05
	13,854,274	0.06	4.50	13,854,274	0.06
	19,967,917		7.31	19,967,917	

NOTE 9 – LEASES

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

Minimum base rent for the Company's operating leases, which generally have escalating rentals over the term of the lease, is recorded on a straight-line basis over the lease term. The initial rent term includes the build-out, or rent holiday period, for the Company's leases, where no rent payments are typically due under the terms of the lease. Deferred rent liabilities are recorded to the extent it exceeds minimum base rent per the lease agreement. Rent expense for the Company's restaurant operating leases was $88,468 and $84,773 for the thirteen weeks ended September 30, 2018 and October 1, 2017, respectively, and $263,774 and $255,738 for the thirty-nine weeks ended September 30, 2018 and October 1, 2017.

The Company disburses cash for leasehold improvements and furniture, fixtures and equipment to build out and equip its leased premises. The Company also expends cash for structural additions that it makes to leased premises of which $506,271 and $475,000 were initially reimbursed Topanga and Glendale by its landlords, respectively, as construction contributions pursuant to agreed-upon terms in the lease agreements. Landlord construction contributions usually take the form of up-front cash. Depending on the specifics of the leased space and the lease agreement, amounts paid for structural components are recorded during the construction period as leasehold improvements or the landlord construction contributions are recorded as an incentive from lessor.

On August 12, 2016 the Company entered into a third amendment on its lease at The Glendale Galleria. The amendment covered several areas, including adjustment to percentage rent payable, reduced the minimum rent payable and payment and principal of the Promissory Note payable to GGP. The Promissory Note was adjusted to a balance due of $763,262 from $683,316, with zero percent interest, payable in equal monthly instalments of $5,300 through maturity of Note on May 31, 2028, creating a gain on extinguishment of the old note of $220,686. (see Note 5). The change in the payment terms of the lease caused a change in the previously calculated deferred rent of $69,614. For reporting purposes, the Company determined that since the GGP Promissory Note and the related revision of the lease were agreed to at the same time, that the change in the lease payment terms and the reduced rent, and the issuance of the new note are directly related. In addition, past due rent of $164,987 was forgiven. As such the gain on the termination of the note of $220,686, the adjustment to the deferred rent in the aggregate amount of $69,614, and the forgiveness of past due rent of $164,987, resulting in an aggregate gain of $455,287 had been deferred, and is being amortized on the straight-line basis over the remaining life of the lease as an adjustment to rent expense. The balance of the deferred gain was $401,260 as of, December 31, 2017.

During the period ended September 30, 2018, $51,591 of deferred gain was amortized and offset to rent expense, resulting in a remaining deferred gain balance of $349,674 as of September 30, 2018 which will be amortized as an offset to rent expense over the remainder of the lease.

The balance of the incentive from lessor as of September 30, 2018 and December 31, 2017, were $577,376 and $653,007, and included deferred rent of $134,573 and $132,818, respectively. As of September 30, 2018, $113,605 of the incentive from lessor was current and $463,771 was long term. Amortization of the incentive from lessor was $25,755 and $22,059 for the thirteen weeks ended September 30, 2018 and October 1, 2017, respectively, and $75,632 and $64,602 for thirty-nine weeks ended September 30, 2018 and October 1, 2017, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Litigation

As of September 30, 2018, there was no material outstanding litigation.

NOTE 11 – SUBSEQUENT EVENTS

In September 2018, GNH Restaurant 3 LLC was formed in Delaware. This is a special purpose entity and is designed to open a new location if funding is achieved through crowd funding. As of November 14, 2018, they have not yet signed a lease.

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

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

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

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

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

The Company adopted a 52/53 week fiscal year ending on the Sunday closest to December 31st for financial reporting purposes. For the years 2017 and 2018 consists of a year ending December 31, 2017 and December 30, 2018.

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, as well as activities and games which include face painting, dance parties, karaoke, and arts and crafts, Giggles N Hugs has become a premier destination for families seeking healthy food in a casual and fun atmosphere. Parents get to eat and relax while the kids play.

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.

Originally, Giggles N’ Hugs owned and operated one restaurant in the Westfield Mall in Century City, California; a second restaurant in the Westfield Mall in Topanga, California; and a third restaurant in the Glendale Galleria in Glendale, California through June 26, 2016.

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.

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

RESULTS OF OPERATIONS

Results of Operations for the Thirteen Weeks Ended September 30, 2018 and October 1, 2017:

COSTS AND OPERATING EXPENSES

	For Thirteen Weeks Ended September 30, 2018	For Thirteen Weeks Ended October 1, 2017	**Increase (Decrease)** $	%
Revenue:				
Net sales	$ 677,838	$ 652,977	$ 24,861	3.8 %
Costs and operating expenses:				
Cost of operations	476,888	485,308	(8,420)	-1.7 %
General and administrative expenses	178,340	277,841	(99,501)	-35.8 %
Depreciation and amortization	56,211	64,205	(7,994)	-12.5 %
Total operating expenses	711,439	827,354	(115,915)	-14.0 %
Loss from Operations	(33,601)	(174,377)	140,776	-80.7 %
Other income (expenses):				
Finance and interest expenses	(10,850)	(12,876)	2,026	-15.7 %
Loss on settlement	(400)	-	(400)	*
Loss before provision for income taxes	(44,851)	(187,253)	142,402	-76.0 %
Net loss	$ (44,851)	$ (187,253)	$ 142,402	-76.0 %

Notes to Costs and Operating Expenses Table:

Net sales. Net sales for the thirteen weeks ended September 30, 2018 and October 1, 2017 were $677,838 and $652,977 respectively. The increase of $24,861 (3.8%) was mostly attributable to increased play area and party food sales.

Cost of operations. Costs of operations consist of cost of goods sold, restaurant utilities, supplies, administrative and other operating expenses, labor cost, and occupancy cost. For the thirteen weeks ended September 30, 2018 and October 1, 2017, cost of operations were $476,888 and $485,308, respectively. The decrease of $8,420 (or 1.7%) was mainly attributable to reduced restaurant supply cost.

General and administrative expenses. General and administrative expenses for the thirteen weeks ended September 30, 2018 and October 1, 2017 were $178,340 and $277,841, respectively. This decrease of $99,501 (35.8%) was mainly attributable to reduced legal fees, non-employees stock compensations, and CEO salary.

Depreciation and amortization. Depreciation and amortization were $56,211 and $64,205 for the thirteen weeks ended September 30, 2018 and October 1, 2017, respectively. The decrease was due to some assets that have been fully depreciated.

Finance and interest expense. The total finance and interest expenses of $10,850 for the thirteen weeks ended September 30, 2018 decreased by $2,026, from the $12,876 for the thirteen weeks ended October 1, 2017, and was mainly due to termination of American Express loan.

Net Loss. The overall net losses of $44,851 and $187,253 for the thirteen weeks ended September 30, 2018 and October 1, 2017, respectively, reflects a decrease of $142,402 was mostly attributable to increased revenue and decreased operating expenses.

Results of Operations for the Thirty-Nine Weeks Ended September 30, 2018 and October 1, 2017:

COSTS AND OPERATING EXPENSES

	For Thirty-Nine Weeks Ended September 30, 2018	For Thirty-Nine Weeks Ended October 1, 2017	Increase (Decrease) $	%
Revenue:				
Net sales	$ 1,871,138	$ 1,890,505	(19,367)	-1.0 %
Costs and operating expenses:				
Cost of operations	1,443,351	1,418,263	25,088	1.8 %
General and administrative expenses	760,081	1,463,397	(703,316)	-48.1 %
Depreciation and amortization	176,361	192,342	(15,981)	-8.3 %
Total operating expenses	2,379,793	3,074,002	(694,209)	-22.6 %
Loss from Operations	(508,655)	(1,183,497)	674,842	-57.0 %
Other income (expenses):				
Finance and interest expenses	(36,986)	(76,919)	39,933	-51.9 %
Change in fair value of derivatives	-	(50,629)	50,629	-100.0%
Gain on extinguishment of derivatives	-	185,604	(185,604)	*
Loss on extinguishment of debt	-	(186,818)	186,818	*
Loss on settlement	(1,400)	-	(1,400)	*
Loss before provision for income taxes	(547,041)	(1,312,259)	766,618	-58.4 %
Provision for income taxes	-	(2,650)	2,650	-100.0%
Net loss	$ (547,041)	$ (1,314,909)	$ 769,268	-58.5 %

Notes to Costs and Operating Expenses Table:

The net sales for the thirty-nine weeks ended September 30, 2018 and October 1, 2017 were $1,871,138 and $1,890,505, respectively. The 1.0% decrease was mostly attributable to decreased party sales.

Cost of operations. Costs of operations consist of cost of goods sold, restaurant utilities, supplies, administrative and other operating expenses, labor cost, and occupancy cost. For the thirty-nine weeks ended September 30, 2018 and October 1, 2017, cost of operations were $1,443,351 and $1,418,263, respectively. The increase of $25,088 (1.8%) was mostly attributable to higher food cost, utility costs, and lease costs.

General and administrative expenses. General and administrative expenses for the thirty-nine weeks ended September 30, 2018 and October 1, 2017 were $760,081 and $1,463,397, respectively. The significant reduction of 48.1% was mostly due to decrease in stock compensation expense of approximately of $531,000 for warrants granted for service, and higher non-employee stock-based compensation and legal fees in the same period prior year.

Depreciation and amortization. The depreciation and amortization were $15,981 less than the same period in the previous year. The decrease was due to some assets have been completed depreciated.

Finance and interest expense. The total finance and operating expenses of $36,986 and $76,919 for the thirty-nine weeks ended September 30, 2018 and October 1, 2017, respectively. The decrease of $39,933 (-51.9%) mostly attributable to conversion of debt the same period last year.

Net Loss. The overall net loss of $547,041 and $1,314,909 for the thirty-nine ended September 30, 2018 and October 1, 2017, respectively, reflects a decrease $769,268. This significant change was mostly attributable to the fair value of $531,000 for warrants granted and non-employee stock-based compensation in the same period last year.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2018, the Company has $103,267 in cash and cash equivalents, $23,267 in inventory, and $24,782 in prepaid expenses and other. The following table provides detailed information about our net cash flows for all financial statement periods presented in this report.

The following table sets forth a summary of our cash flows for the thirty-nine weeks ended September 30, 2018 and October 1, 2017:

	For Thirty-Nine Weeks Ended September 30, 2018	For Thirty-Nine Weeks Ended October 1, 2017
Net cash used in operating activities	$ (616,824)	$ (213,887)
Net cash provided by financing activities	588,755	173,502
Net decrease in Cash	(28,069)	(40,385)
Cash, beginning of period	131,336	144,520
Cash, end of period	$ 103,267	$ 104,135

Operating activities

Net cash used in operating activities was $616,824 for the thirty-nine weeks ended September 30, 2018 compared to $213,887 used in operating activities for the thirty-nine weeks ended October 1, 2017. This significant increase of cash used is mostly attributable to decreased liabilities.

Investing activities

There were no investing activities for both periods ended September 30, 2018 and October 1, 2017.

Financing activities

Net cash provided by financing activities for the thirty-nine weeks ended September 30, 2018 and October 1, 2017 was $588,755 and $173,502, respectively. The substantial increase was due to equity offering in April in 2018.

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

Going Concern and Liquidity

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying condensed consolidated financial statements, during the thirty-nine weeks ended September 30, 2018, the Company incurred a net loss of $547,041, and $616,824 of cash used in operations, and had a stockholders' deficit of $1,808,838 as of that date. In addition, the note payable to the Company's landlord was in default. These factors raise substantial doubt about the Company's ability to continue as a going concern for one year from 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 Company's independent registered public accounting firm in its report on the December 31, 2017 financial statements has raised substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

At September 30, 2018, the Company had cash on hand in the amount of $103,267. Management estimates that the current funds on hand would be sufficient to continue operations through December 2018. Management is currently seeking additional funds through sponsorships and promotions to operate our business. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if the Company is able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stock holders, in case or equity financing.

Notes Payable

On February 12, 2013, the Company entered into a $700,000 Promissory Note Payable Agreement with GGP Limited Partnership ("Lender") to be used by the Company for a portion of the construction work to be performed by the Company under the lease by and between the Company and Glendale II Mall Associates, LLC. The Note Payable accrued interest at a rate of 10% through October 15, 2015, 12% through October 31, 2017, and 15% through October 31, 2023 and matures on October 31, 2023.

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

On August 12, 2016, the Company entered into a third amendment on its lease at The Glendale Galleria. The amendment covered several areas, including adjustment to percentage rent payable, reduced the minimum rent payable, along with the payment and principal of Promissory Note. The Promissory Note was adjusted to a balance due of $763,261.57 from $683,316, with zero percent interest, payable in equal monthly instalments of $5,300 through maturity of Note on May 31, 2028. The Company imputed interest using a discount rate of 10% to determine a fair value of the note of $443,521, resulting in a valuation discount of $319,740. As of September 30, 2018, the balance of note payable was $690,968, and unamortized note discount was $270,087, with a net balance due of $420,881.

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

Convertible Notes Payable

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

Recent Accounting Pronouncements

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

Critical Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Note 3 to the Condensed Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. Estimates are used for, but not limited to, impairment analyses, accounting for contingencies and equity instruments issued for services. Actual results could differ materially from those estimates. The following critical accounting policies are impacted significantly by judgments, assumptions, and estimates used in the preparation of the Consolidated Financial Statements.

Long-Lived Assets

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

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

Stock-Based Compensation

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

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

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

Off-Balance Sheet Arrangements

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

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

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Smaller reporting companies are not required to provide the information under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affected, the Company's internal control over the 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.

PART II—OTHER INFORMATION

ITEM 1. Legal Proceedings.

As of September 30, 2018, there was no material outstanding litigation.

ITEM 1A. Risk Factors

Smaller reporting companies are not required to provide the information under this item.

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

None.

Issuer Purchases of Equity Securities

None.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Mine Safety Disclosures.

Not applicable.

ITEM 5. Other Information.

Effective April 17, 2018, Joey Parsi and Philip Gay were appointed to serve as Co- CEOs.

In August 2018, the Company's Board of Directors amended its 2016 Equity Incentive Plan for the sole purpose of changing the definition of "Award Limit" to one million dollars ($1,000,000), calculated based on Fair Market Value of Common Stock and Black Scholes value of Stock Options.

ITEM 6. Exhibits.

Exhibit No.	**Description**
31.1*	Certification of Principal Executive Officer & Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of Principal Executive Officer & Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase
101.DEF**	XBRL Taxonomy Extension Definition Linkbase
101.LAB**	XBRL Taxonomy Extension Label Linkbase
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.

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

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	GIGGLES N' HUGS, INC.
Date November 14, 2018	By:*/s/ Joey Parsi* Joey Parsi Chief Executive Officer (Principal Executive Officer and duly authorized signatory)
	By:*/s/ Philip Gay* Philip Gay Co- Chief Executive Officer (Co-Principal Executive Officer; Co-Principal Financial Officer)