

Giggles N' Hugs, Inc.
Form 10-Q/A
August 29, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended June 30, 2012

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

Commission file number 000-53948

GIGGLES N HUGS, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or
organization)

20-1681362
(I.R.S. Employer Identification No.)

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

90067
(Zip Code)

(310) 553-4847
(Registrant's telephone number, including area code)

Copies of Communications to:
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401 West A Street
Suite 1150
San Diego, CA 92101
(619) 704-1310
Fax (619) 704-0556

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

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any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) ☒ Smaller reporting company

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

Yes ☐ No ☒

The number of shares of Common Stock, \$0.001 par value, outstanding on August 20, 2012 was 22,894,145 shares.

*EXPLANATORY NOTE –The Registrant is amending this Form 10-Q strictly to supplement the XBRL exhibit requirement. No other disclosure was changed.

GIGGLES N HUGS, INC.
QUARTERLY PERIOD ENDED JUNE 30, 2012

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

GIGGLES N HUGS, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and equivalents	\$ 109,864	\$ 608,309
Inventory	14,959	14,297
Prepaid expenses	4,469	-
Total current assets	129,292	622,606
Fixed assets:		
Total fixed assets, net	973,705	880,999
Other assets:		
Security deposits	32,500	30,000
Total assets	\$ 1,135,497	\$ 1,533,605
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 112,680	\$ 116,031
Incentive from lessor – current portion	47,151	44,406
Accrued expenses	16,852	15,888
Deferred revenue	10,151	16,942
Total current liabilities	186,834	193,267
Long-term liabilities:		
Incentive from lessor – long-term	510,307	490,059
Total long-term liabilities	510,307	490,059
Total liabilities	697,141	683,326
Stockholders' equity:		
Common stock, \$0.001 par value, 1,125,000,000 shares authorized, 22,894,145 and 22,862,145 shares issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	22,894	22,862
Common stock payable (50,000 shares as of June 30, 2012)	209,500	-
Additional paid-in capital	2,053,616	2,001,168
Accumulated deficit	(1,847,654)	(1,173,751)
Total stockholders' equity	438,356	850,279

Total liabilities and stockholders' equity	\$1,135,497	\$1,533,605
See Accompanying Notes to Financial Statements.		

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

	For the three months ended June 30,		For the six months ended June 30,	
	2012	2011	2012	2011
Revenue				
Food and beverage sales	\$ 170,961	\$ 173,608	\$ 335,810	\$ 328,697
Private party rentals	89,135	87,132	195,949	146,423
Other sales	65,692	57,621	133,890	113,818
Allowances, returns and discounts	(12,724)	(25,900)	(23,775)	(55,168)
Net sales	313,064	292,461	641,874	533,770
Costs and operating expenses				
Cost of sales including food and beverage	71,251	70,168	138,805	135,315
Labor	100,239	120,762	232,376	257,587
Occupancy cost	64,137	60,424	119,467	126,263
Depreciation	25,666	25,313	51,532	50,613
Total operating expenses	261,293	276,667	542,180	569,778
Other expenses				
Executive compensation	109,488	38,269	209,675	38,269
Stock-based executive compensation	-	-	209,500	-
Consulting expenses	57,480	183,350	67,480	391,589
Professional expenses	89,357	71,711	155,029	130,770
General and administrative expenses	64,957	35,629	130,313	104,948
Total costs and operating expenses	582,575	605,626	1,314,177	1,235,354
Loss before provision for income taxes	\$(269,511)	\$(313,165)	\$(672,303)	\$(701,584)
Provision for income taxes	\$(1,600)	\$-	\$(1,600)	\$-
Net loss	\$(271,111)	\$(313,165)	\$(673,903)	\$(701,584)
Net loss per share - basic	\$(0.01)	\$(0.04)	\$(0.03)	\$(0.02)
Weighted average number of common shares outstanding - basic	22,866,365	18,742,248	22,866,365	18,633,896

See Accompanying Notes to Financial Statements.

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

	For the six months ended June 30,	
	2012	2011
Cash flows from operating activities		
Net loss	\$(673,903)	\$(701,584)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	51,532	50,614
Stock based compensation	52,480	-
Shares issued for executive compensation	209,500	-
Changes in operating assets and liabilities:		
Increase in prepaid expenses and deposits	(6,969)	-
Increase in inventory	(662)	(577)
Decrease in accounts payable	(3,351)	(58,871)
Increase (decrease) in lease incentive liability	22,993	(14,230)
Increase in accrued expenses	964	1,968
Increase (decrease) in deferred revenue	(6,791)	3,516
Net cash used in operating activities	(354,207)	(719,164)
Cash flows from investing activities		
Acquisition of fixed assets	(144,238)	(31,289)
Net cash used in investing activities	(144,238)	(31,289)
Cash flows from financing activities		
Proceeds from note payable	-	(3,000)
Members' distribution	-	(20,836)
Proceeds from reverse merger	-	769
Proceeds from shares issued	-	1,688,142
Proceeds from common stock payable	-	35,000
Net cash provided by financing activities	-	1,700,075
NET INCREASE (DECREASE) IN CASH	(498,445)	949,622
CASH AT BEGINNING OF PERIOD	608,309	15,584
CASH AT END OF PERIOD	\$109,864	\$965,206
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$-	\$-
Income taxes paid	\$-	\$-
NON-CASH INVESTING AND FINANCING ACTIVITIES:		

Incentive from lessor	\$-	\$590,000
Liabilities assumed with the merger	\$-	\$79,725

See Accompanying Notes to Financial Statements.

GIGGLES N' HUGS, INC.
(FORMERLY TEACHER'S PET, INC.)
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 – HISTORY AND ORGRANIZATION

Giggles N' Hugs, Inc. ("GIGL Inc") was originally organized September 17, 2004 (Date of Inception) under the laws of the State of Nevada, as Teacher's Pet, Inc. GIGL Inc was organized to sell teaching supplies and learning tools. On August 20, 2010, GIGL Inc filed an amendment to its articles of incorporation to change its name to Giggles N' Hugs, Inc. The Company is authorized to issue 1,125,000,000 shares of its \$0.001 par value common stock.

On December 30, 2011, GIGL Inc completed the acquisition of all the issued and outstanding shares of GNH, Inc. ("GNH"), a Nevada corporation, pursuant to a Stock Exchange Agreement (the "SEA"). Under the SEA, GIGL Inc issued 18,289,716 shares of its common stock to in exchange for a 100% interest in GNH, Inc. Additionally under the SEA, the former officer, director and shareholders of GIGL Inc agreed to cancel a total of 47,607,500 shares of its common stock.

For accounting purposes, the acquisition of GNH by GIGL Inc has been recorded as a reverse merger of a public company, with the exception that no goodwill is generated, and followed up with a recapitalization of GNH based on the factors demonstrating that GNH represents the accounting acquirer. As part of closing of the merger between GNH and GIGL Inc, GNH obtained 100% of the restaurant operations of Giggles N Hugs in Westfield mall in Century City, California. The restaurant operations of Giggles N Hugs in Westfield mall in Century City, California was originally formed April 30, 2010 and opened for operation December 3, 2010. Consequently, the historical financial information in the accompanying consolidated financial statements is that of GNH and the restaurant operations of Giggles N Hugs located in Century City, California. As a result of the Merger, GIGL Inc now owns all of the assets, liabilities and operations of a kid friendly restaurant named Giggles N Hugs in Westfield mall in Century City, California. Additionally, GIGL Inc obtained ownership to all intellectual property rights for Giggles N Hugs facilities in the future.

On December 30, 2011, the transactions were completed and resulted in a change in control of the Company. Pursuant to the terms of the Agreement, the Company accepted the resignation of its prior officer and director, Tracie Hadama and appointed Mr. Joey Parsi as President, Chief Executive Officer, Treasurer, and Secretary of the Company.

GIGGLES N' HUGS, INC.
(FORMERLY TEACHER'S PET, INC.)
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 2 – BASIS OF PRESENTATION

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

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these interim financial statements be read in conjunction with the financial statements of the Company for the year ended December 31, 2011 and notes thereto included in the Company's Form 10-K annual report. The Company follows the same accounting policies in the preparation of interim reports.

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

NOTE 3– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

For the three months ended June 30, 2012 and 2011, the consolidated financial statements include the accounts of Giggles N' Hugs, Inc., GNH, Inc., GNH Topanga, Inc. and restaurant operations of Giggles N Hugs in Westfield mall in Century City, California. All significant intercompany balances and transactions have been eliminated. Giggles N' Hugs, Inc., GNH, Inc., GNH Topanga, Inc. and restaurant operations of Giggles N Hugs in Westfield mall in Century City, California will be collectively referred herein to as the "Company".

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

Cash and cash equivalents

For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. The carrying value of these investments approximates fair value.

GIGGLES N' HUGS, INC.
(FORMERLY TEACHER'S PET, INC.)
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost or market on a first-in, first-out basis and consist of restaurant food and other supplies.

Property and equipment

The Company records all property and equipment at cost less accumulated depreciation. Improvements are capitalized while repairs and maintenance costs are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful life of the assets or the lease term, whichever is shorter. Leasehold improvements include the cost of the Company's internal development and construction department. Depreciation periods are as follows:

Leasehold improvements	10 years
Restaurant fixtures and equipment	10 years
Computer software and equipment	3 to 5 years

Leases

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

Minimum base rent for the Company's operating leases, which generally have escalating rentals over the term of the lease, is recorded on a straight-line basis over the lease term. The initial rent term includes the build-out, or rent holiday period, for the Company's leases, where no rent payments are typically due under the terms of the lease. Deferred rent expense, which is based on a percentage of revenue, is also recorded to the extent it exceeds minimum base rent per the lease agreement.

The Company disburses cash for leasehold improvements and furniture, fixtures and equipment to build out and equip its leased premises. The Company also expends cash for structural additions that it makes to leased premises of which \$590,000 were reimbursed to Century City by its landlords as construction contributions pursuant to agreed-upon terms in the lease agreements. Landlord construction contributions usually take the form of up-front cash. Depending on the specifics of the leased space and the lease agreement, amounts paid for structural components are recorded during the construction period as leasehold improvements or the landlord construction contributions are recorded as an incentive from lessor.

GIGGLES N' HUGS, INC.
(FORMERLY TEACHER'S PET, INC.)
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of long-lived assets

The Company assesses potential impairment of our long-lived assets whenever events or changes in circumstances indicate that the carrying value of the assets or asset group may not be recoverable. Factors considered include, but are not limited to, significant underperformance relative to historical or projected future operating results; significant changes in the manner of use of the acquired assets or the strategy for the overall business; and significant negative industry or economic trends. The Company regularly reviews the restaurant if it is cash flow negative for the previous four quarters to determine if impairment testing is warranted. At any given time, the Company may monitor its operations, and impairment charges could be triggered in the future if the restaurant performance does not improve.

The Company has identified leasehold improvements as the primary asset because it is the most significant component of our restaurant assets, it is the principal asset from which the Company derives cash flow generating capacity and has the longest remaining useful life. The recoverability is assessed in most cases by comparing the carrying value of the assets to the undiscounted cash flows expected to be generated by these assets. Impairment losses are measured as the amount by which the carrying values of the assets exceed their fair values.

During the six months ended June 30, 2012 and 2011 we did not record an impairment charge against the carrying value of the restaurant located in Century City, California.

Stock-based compensation

The Company records stock based compensation in accordance with the guidance in ASC Topic 505 and 718 which requires the Company to recognize expenses related to the fair value of its employee stock option awards. This eliminates accounting for share-based compensation transactions using the intrinsic value and requires instead that such transactions be accounted for using a fair-value-based method. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with FASB ASC 718-10 and the conclusions reached by the FASB ASC 505-50. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earliest of a performance commitment or completion of performance by the provider of goods or services as defined by FASB ASC 505-50.

GIGGLES N' HUGS, INC.
(FORMERLY TEACHER'S PET, INC.)
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss per common share

Net loss per share is provided in accordance with ASC Subtopic 260-10. We present basic loss per share ("EPS") and diluted EPS on the face of statements of operations. Basic EPS is computed by dividing reported losses by the weighted average shares outstanding. Except where the result would be anti-dilutive to income from continuing operations, diluted earnings per share has been computed assuming the conversion of the convertible long-term debt and the elimination of the related interest expense, and the exercise of stock warrants. Loss per common share has been computed using the weighted average number of common shares outstanding during the year.

Fair Value of Financial Instruments

The carrying amounts reflected in the balance sheets for cash, accounts payable and accrued expenses approximate the respective fair values due to the short maturities of these items. The Company does not hold any investments that are available-for-sale.

As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC, fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

GIGGLES N' HUGS, INC.
(FORMERLY TEACHER'S PET, INC.)
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Our revenues consist of sales from our restaurant operations and sales of memberships entitling members unlimited access to our play areas for the duration of their membership. As a general principle, revenue is recognized when the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred and services have been rendered, (iii) the price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured.

With respect to memberships, access to our play area extends throughout the term of membership. The vast majority of memberships sold are for one month terms. Revenue is recognized on a straight line basis over the membership period. Century City receives payment from its customers at the start of the subscription period and Century City records deferred revenue for the unearned portion of the subscription period.

Revenues from restaurant sales are recognized when payment is tendered at the point of sale. Revenues are presented net of sales taxes. The obligation is included in other accrued expenses until the taxes are remitted to the appropriate taxing authorities.

We recognize a liability upon the sale of our gift cards and recognize revenue when these gift cards are redeemed in our restaurants.

For party rental agreements, we rely upon a signed contract between us and the customer as the persuasive evidence of a sales arrangement. Party rental deposits are recorded as deferred revenue upon receipt and recognized as revenue when the service has been rendered.

Additionally, revenues are recognized net of any discounts, returns, allowances and sales incentives, including coupon redemptions and complimentary meals.

Recent pronouncements

The Company has evaluated the recent accounting pronouncements through August 2012 and believes that none of them will have a material effect on the company's financial position, results of operations or cash flows.

GIGGLES N' HUGS, INC.
(FORMERLY TEACHER'S PET, INC.)
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 4 – RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations. In second quarter of fiscal 2012, the Company concluded that it was appropriate to classify its incentive from lessor as a long-term liability. Previously, the incentive from lessor had been classified as a current liability. Accordingly, the Company had revised the classification to report the incentive from lessor under the long-term liabilities caption, with the current portion thereof remaining in the current liabilities section. This change in classification does not materially affect the Company's previously reported balance sheet, cash flows from operations or from financing activities in the Condensed Statement of Cash Flows, and had no effect on the previously reported Condensed Statement of Operations for any period.

As of June 30, 2012 and December 31, 2011, \$510,307 and \$490,059 of the incentive from lessor previously classified as current liabilities were reclassified as long-term liabilities.

NOTE 5 – GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplate continuation of the Company as a going concern. The Company has recently sustained operating losses and has an accumulated deficit of \$1,847,654 at June 30, 2012. In addition, the Company has negative working capital of \$57,542 at June 30, 2012.

The Company has and will continue to use significant capital to grow and acquire market share. These factors raise substantial doubt about the ability of the Company to continue as a going concern. In this regard, management is proposing to raise any necessary additional funds not provided by operations through loans or through sales of their common stock. There is no assurance that the Company will be successful in raising this additional capital or in achieving profitable operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might result from this uncertainty.

NOTE 6 – INVENTORY

Inventory consisted of the following at:

	June 30, 2012	December 31, 2011
Restaurant food and supplies	\$ 14,959	\$ 14,297
Total	\$ 14,959	\$ 14,297

NOTE 7 – FIXED ASSETS

Fixed assets consisted of the following at:

June 30,

	2012	December 31, 2011
Leasehold improvements	\$1,098,273	\$958,538
Fixtures and equipment	24,137	21,887
Computer software and equipment	12,162	9,909
Property and equipment, total	1,134,572	990,334
Less: accumulated depreciation	(160,867)	(109,336)
Property and equipment, net	\$973,705	\$880,999

Repair and maintenance expenses for the six months ended June 30, 2012 and 2011 were \$8,803 and \$8,722, respectively. Depreciation expenses for the three and six months ended June 30, 2012 were \$25,666 and \$51,532, respectively, and for the three and six months ended June 30, 2011 were \$25,313 and \$50,614, respectively.

GIGGLES N' HUGS, INC.
(FORMERLY TEACHER'S PET, INC.)
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 8 – DEFERRED REVENUE

Deferred revenue consisted of the following at:

		June 30, 2012		December 31, 2011
Membership cards	\$	5,202	\$	2,225
Gift cards		4,087		3,001
Party deposits		862		11,716
Total	\$	10,151	\$	16,942

NOTE 9 – INCENTIVE FROM LESSOR

Landlord construction contributions usually take the form of up-front cash. Depending on the specifics of the leased space and the lease agreement, amounts paid for structural components are recorded during the construction period as leasehold improvements or the landlord construction contributions are recorded as an incentive from lessor. The incentive from lessor is amortized over the life of the lease which is 10 years.

The Company received \$590,000 from the Company's landlords as construction contributions pursuant to agreed-upon terms in its lease agreement with Westfield Century City.

The Company is currently building out its Topanga location. As of June 30, 2012, the Company received a total of \$47,500 from the landlords as construction contributions related to the Topanga lease.

Amortization of the incentive from lessor was \$24,507 and \$23,851 for the three months ended June 30, 2012 and 2011, respectively.

GIGGLES N' HUGS, INC.
(FORMERLY TEACHER'S PET, INC.)
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 10 – STOCKHOLDERS' EQUITY

On July 15, 2010, the Company amended its articles of incorporation to increase the authorized capital from 75,000,000 common shares to 1,125,000,000 common shares. The Company has only one class of stock. All rights and privileges normally associated with stock ownership are vested in that single class of stock.

During the three months ended March 31, 2012, the Company authorized the issuance of 50,000 shares of common stock to Sean Richards related to his appointment as Chief Operating Officer of the Company. The fair value of the shares of common stock was \$209,500 which is recorded to common stock payable. As of the date of this filing, the shares have not been issued.

On June 11, 2012, the Company authorized the issuance of 25,000 shares of common stock to a third party entity in exchange for consulting services. The fair value of the shares of common stock was \$41,000, based upon the closing market price of the Company's common stock at the date the service was rendered.

On June 11, 2012, the Company authorized the issuance of 7,000 shares of common stock to a third party entity for internet design and consulting services. The fair value of the shares of common stock was \$11,480, based upon the closing market price of the Company's common stock at the date the service was rendered.

As of June 30, 2012, there have been no other issuances of common stock.

NOTE 11 – WARRANTS AND OPTIONS

As of June 30, 2012, there were no warrants or options outstanding to acquire any additional shares of common stock.

GIGGLES N' HUGS, INC.
(FORMERLY TEACHER'S PET, INC.)
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Company leases its restaurant location under an operating lease, with the remaining term being 10 years. Restaurant leases typically include land and building shells, require contingent rent above the minimum base rent payments based on a percentage of sales ranging from 7% to 10%, have escalating minimum rent requirements over the term of the lease and require various expenses incidental to the use of the property. The lease also has a renewal option, which Century City may exercise in the future. The Company's current lease provides early termination rights, permitting the Company and its landlord to mutually terminate the lease prior to expiration if the Company does not achieve specified sales levels in certain years.

As of June 30, 2012, the aggregate minimum annual lease payments under operating leases, including amounts characterized as deemed landlord financing payments are as follows:

2012	\$ 91,958
2013	188,975
2014	194,644
2015	200,483
2016	206,498
2017	212,692
Thereafter	482,983
Total	\$ 1,578,233

Rent expense for the Company's operating lease was \$46,181 and \$30,229 for the periods during the three months ended June 30, 2012 and 2011, respectively.

On March 23, 2012, GNH Topanga entered into a Lease Agreement with Westfield Topanga Owner, LP, a Delaware limited partnership, to lease approximately 5,900 square feet in the Westfield Topanga Shopping Center. The lease includes land and building shells, provides a construction reimbursement allowance of up to \$475,000, requires contingent rent above the minimum base rent payments based on a percentage of sales ranging from 7% to 10% and require other expenses incidental to the use of the property. The lease also has a renewal option, which GNH Topanga may exercise in the future. The Company's current lease provides early termination rights, permitting the Company and its landlord to mutually terminate the lease prior to expiration if the Company does not achieve specified sales levels in certain years. The lease is expected to commence on November 1, 2012 and expire on April 30, 2022. Upon commencement, the aggregate minimum annual lease payments under operating leases, including amounts characterized as deemed landlord financing payments are as follows:

2013	\$ 212,400
2014	220,896
2015	229,732
2016	238,921
2017	248,478
Thereafter	1,714,073

Total	\$	2,864,500
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Rent expense for the Company's operating lease was \$0 and \$0 for the period during the three months ended June 30, 2012 and 2011, respectively.