

Giggles N' Hugs, Inc.  
Form 10-Q  
August 17, 2011

**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 June 30, 2011**

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

**Commission file number 000-53948**

**GIGGLES N HUGS, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

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

Edgar Filing: Giggles N' Hugs, Inc. - Form 10-Q

(State or other jurisdiction of incorporation or organization)

1000 N. Green Valley Parkway, Suite 440-484, Henderson, NV  
(Address of principal executive offices)

89074  
(Zip Code)

**(702) 879-8565**

(Registrant's telephone number, including area code)

*Copies of Communications to:*

Stoecklein Law Group

Emerald Plaza

402 West Broadway

Suite 690

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 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 16, 2011 was 52,169,929 shares.

1

**GIGGLES N HUGS, INC.**

**QUARTERLY PERIOD ENDED JUNE 30, 2011**

**Index to Report on Form 10-Q**

		<b>Page No.</b>
<b>PART I - FINANCIAL INFORMATION</b>		
Item 1.	Financial Statements	3
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	14
Item 4T.	Controls and Procedures	14

**PART II - OTHER INFORMATION**

Item 1.	Legal Proceedings	14
Item 1A.	Risk Factors	14
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	15
Item 3.	Defaults Upon Senior Securities	16
Item 4.	(Removed and Reserved)	
Item 5.	Other Information	16
Item 6.	Exhibits	16
	Signature	17

**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.**

**Giggles N' Hugs, Inc.**  
**(formerly Teacher's Pet, Inc.)**  
**(a Development Stage Company)**  
**Balance Sheet**

	June 30, 2011 (unaudited)	December 31, 2010 (audited)
<b>Assets</b>		
Current assets:		
Cash	\$ 913,498	769
Total current assets	913,498	769
Accrued interest receivable - related party	17,663	-
Notes receivable	52,600	-
Notes receivable - related party	998,127	-
Total assets	\$ 1,981,888	769
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
Current liabilities:		
Accounts payable	\$ 28,112	58,210
Note payable - related party	85,005	21,515
Total current liabilities	113,117	79,725
Stockholders' equity (deficit)		
Common stock, \$0.001 par value, 1,125,000,000 shares authorized, 52,169,929 and 51,607,500 shares issued and outstanding as of June 30, 2011 and December 31, 2010, respectively	52,170	51,608
Additional paid-in capital	2,002,155	34,217
Stock payable	35,000	-
Deficit accumulated during development stage	(220,554)	(164,781)
Total stockholders' equity (deficit)	1,868,771	(78,956)
Total liabilities and stockholders' equity (deficit)	\$ 1,981,888	769

**See Accompanying Notes to Financial Statements.**

**Giggles N' Hugs, Inc.**  
**(formerly Teacher's Pet, Inc.)**  
**(a Development Stage Company)**  
**Statement of Operations**  
**(unaudited)**

	For the Three Months Ended			For the Six Months Ended			Inception
	2011	June 30, 2010	2010	2011	June 30, 2010	2010	(September 17, 2004) to June 30, 2011
Revenue	\$	-	50	-	-	200	200
Cost of sales		-	-	-	-	-	-
Gross profit		-	50	-	-	200	200
Expenses:							
Depreciation expense		-	163	-	-	375	4,806
General and administrative expenses		52,527	1,875	73,436	-	9,915	191,898
Total expenses		52,527	2,038	73,436	-	10,290	196,704
Operating loss		(52,527)	(1,988)	(73,436)	-	(10,090)	(196,504)
Other expenses:							
Interest income		12,383	-	17,663	-	-	17,663
Interest expense		-	-	-	-	-	(4)
Impairment of inventory		-	-	-	-	-	(1,510)
Total other expenses		12,383	-	17,663	-	-	16,149
Net loss	\$	(40,144)	(1,988)	(55,773)	-	(10,090)	(180,355)
Weighted average number of common shares outstanding - basic		52,060,032	51,607,500	51,951,680	-	51,607,500	
Loss per share - basic	\$	(0.00)	(0.00)	(0.00)	-	(0.00)	

**See Accompanying Notes to Financial Statements.**

**Giggles N' Hugs, Inc.**  
**(formerly Teacher's Pet, Inc.)**  
**(a Development Stage Company)**  
**Statements of Cash Flows**  
**(unaudited)**

	For the Six Months Ended June 30,		Inception (September 17, 2004) to June 30, 2011
	2011	2010	
<b>Operating activities</b>			
Net loss	\$ (55,773)	(10,090)	(180,355)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation	-	375	4,806
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	(17,663)	-	(17,663)
Decrease in accounts payable	(30,098)	250	28,112
Net cash used by operating activities	(103,534)	(9,465)	(165,100)
<b>Investing activities</b>			
Purchase of fixed assets	-	-	(4,806)
Proceeds for notes receivable	(52,600)	-	(52,600)
Proceeds for notes receivable - related party	(1,450,127)	-	(1,450,127)
Repayments received for notes receivable - related party	452,000	-	452,000
Net cash used by investing activities	(1,050,727)	-	(1,055,553)
<b>Financing activities</b>			
Proceeds from note payable - related party	64,259	6,040	85,774
Repayments received for notes payable - related party	(769)	-	(769)
Contributed capital	-	3,500	18,800
Issuances of common stock	1,968,500	-	1,995,326
Proceeds from common stock payable	35,000	-	35,000

Edgar Filing: Giggles N' Hugs, Inc. - Form 10-Q

Net cash provided by financing activities	2,066,990	9,540	2,134,131
Net increase in cash	912,729	75	913,498
Cash - beginning	769	2,194	-
Cash - ending	\$ 913,498	2,269	913,498
Supplemental disclosures:			
Interest paid	\$ -	-	-
Income taxes paid	\$ -	-	-
Non-cash transactions:			
Loans from related party	\$ -	-	-

**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 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, 2010 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 2 History and organization of the company**

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

The Company has had minimal operations. In accordance with FASB ASC 915-10, Development Stage Entities, the Company is considered a development stage company.

**Note 3 Going concern**

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. As of June 30, 2011, the Company had an accumulated deficit of \$220,554. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

The Company is currently contemplating an offering of its equity or debt securities to finance continuing operations. There are no agreements or arrangements currently in place or under negotiation to obtain such financing, and there are no assurances that the Company will be successful and without sufficient financing it would be unlikely for the Company to continue as a going concern.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. These 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.

**GIGGLES N HUGS, INC.**

**(FORMERLY TEACHER S PET, INC.)**

**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

**Note 4 Fixed assets**

Fixed assets as of June 30, 2011 and December 31, 2010, consisted of the following:

	June 30, December 31, 2010	
	2011	
Computer equipment	\$ 4,806	\$ 4,806
Accumulated depreciation	<u>(4,806)</u>	<u>(4,806)</u>
	<u>\$ -</u>	<u>\$ -</u>

During the six months ended June 30, 2011 and 2010, the Company recorded depreciation expenses of \$0 and \$375, respectively.

**Note 5 Notes receivable**

During April, 2011, the Company loaned \$50,000 and \$2,600 to one non-related entity. The loans are unsecured, bear interest at a rate of 1% per annum, and mature on April 15, 2014 and April 28, 2014, respectively. As of June 30, 2011, the balance owed to the Company in principal was \$52,600 and accrued interest receivable of \$109. During the three months ended June 30, 2011 interest income was \$109.

During the six months ended June 30, 2011, the Company loaned a total of \$1,450,127 to an entity that is owned and controlled by a director of the Company. The Company received repayments totaling \$452,000 during the six months ended June 30, 2011. The Company agreed to loan up to \$1,000,000 and the entire balance of principal and interest is due on February 1, 2014. The loan is unsecured and bears interest at a rate of 6% per annum. As of June 30, 2011,

the balance owed to the Company in principal was \$998,127 and accrued interest receivable of \$17,554. During the three and six months ended June 30, 2011 interest income was \$12,274 and \$17,554, respectively.

**Note 6 Debt obligations**

On March 25, 2010, the Company issued an aggregate of \$6,040 in debt securities to an officer and director of the Company. The note is unsecured, bears no interest and is due on demand. The Company repaid \$769 during the six months ended June 30, 2011. As of June 30, 2011, the balance owed is \$5,271.

During the quarter ended December 31, 2010, the Company issued an aggregate of \$15,475 in notes payable for expenses paid by a director on behalf of the Company. During the six months ended June 30, 2011, the Company issued an aggregate of \$64,259 in notes payable for expenses paid by a director on behalf of the Company. The note is unsecured, bears no interest and is due on demand. As of June 30, 2011, the balance owed is \$79,734.

**GIGGLES N HUGS, INC.**

**(FORMERLY TEACHER S PET, INC.)**

**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

**Note 7 Stockholders equity**

The Company is authorized to issue 1,125,000,000 shares of its \$0.001 par value common stock. 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.

Since the inception of the Company through June 30, 2011, an officer and director of the Company contributed cash in the amount of \$18,800. The entire amount was contributed, is not expected to be repaid and has been recorded as additional paid-in capital.

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. Additionally, the Company's board of directors approved a 15:1 forward stock split with a record date of July 30, 2010. These events have been retroactively applied to these condensed interim financial statements.

During the six months ended June 30, 2011, the Company issued a total of 562,429 shares of common stock for cash totaling \$1,968,500. The Company has received cash of \$35,000 in stock payable as of June 30, 2011.

**Note 8 Warrants and options**

As of June 30, 2011, there were no warrants or options outstanding to acquire any additional shares of common stock.

**Note 9 Agreements**

On September 23, 2010, the Company entered into a reverse triangular merger by and among Giggles N' Hugs Sub Co., a Nevada corporation and wholly owned subsidiary of the Company, and GNH, Inc. ( GNH ), a Nevada corporation, SUB CO and GNH being the constituent entities in the merger, whereby the Company intends to issue 14,000,000 shares of its common stock in exchange for 100% of GNH 's outstanding common stock. Pursuant to the terms of the merger, SUB CO will be merged with GNH wherein SUB CO shall cease to exist and GNH will become a wholly owned subsidiary of the Company. The Merger was anticipated to become effective on June 30, 2011. On June 30, 2011, the parties had not completed all of the conditions to the merger and decided to extend the effective date to a later date in order to complete all the terms and conditions of the merger.

We are focused exclusively on successfully consummating the Merger with GNH. If we are unable to effect the proposed transaction, we will have limited capital resources and no saleable inventory with which to operate. Additionally, our ability to fund our operating expenses and debt service requirements are in doubt, and we cannot guarantee that we will be able to satisfy such. As such, we would require a significant infusion of cash through sales of our debt or equity securities. There are no formal or informal agreements to attain such financing. We cannot assure you that any financing can be obtained or, if obtained, that it will be on reasonable terms. Without realization of additional capital, it would be unlikely for us to continue as a going concern.

The Merger with GNH, upon closing, will provide us with the ownership of a Giggles N' Hugs Restaurant located in the Westfield Century City shopping complex.

**GIGGLES N HUGS, INC.**

**(FORMERLY TEACHER S PET, INC.)**

**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

**Note 10 Related party transactions**

From our inception to June 30, 2011, an officer and director of the Company contributed cash in the amount of \$18,800. The entire amount was contributed, is not expected to be repaid and has been recorded as additional paid-in capital.

The Company does not lease or rent any property. Office services are provided without charge by an officer and director of the Company. Such costs are immaterial to the financial statements and, accordingly, have not been reflected therein. The officers and directors of the Company are involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between the Company and their other business interests. The Company has not formulated a policy for the resolution of such conflicts.

**Note 11 Subsequent Events**

On August 12, 2011, we issued 10,000 shares of our restricted common stock to an accredited investor for a total purchase price of \$35,000 all which was paid in cash. The shares were purchased in August 2011.

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

This Quarterly 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;
- .  
our ability to complete the acquisition of GNH, Inc.;
- .  
our ability, assuming we complete the GNH, Inc. transaction, to incorporate the GNH, Inc. assets into our operations;
- .  
our ability to generate sufficient funds to operate the GNH, Inc. operations, upon completion of our acquisition;
- .  
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 similar terms refer to Giggles N' Hugs, Inc. unless otherwise expressly stated or the context otherwise requires.*

## **OVERVIEW AND OUTLOOK**

### **Background**

Giggles N' Hugs, Inc., formerly Teacher's Pet, Inc., is a development stage company incorporated in the State of Nevada on September 17, 2004. Our prior stated business objective was to sell products and provide services to assist teachers and parents further the education of children aged between kindergarten through sixth grade. As of the date of this report, we generated minimal revenues from that line of business. Due to our lack of sufficient financial resources and inability to establish our educational supply business, we sought business opportunities with established companies and financing from third party sources. In August, 2010, we identified an opportunity to enter into a relationship with a child-friendly restaurant in Los Angeles, California.

On September 23, 2010, we entered into a reverse triangular merger by and among Giggles N' Hugs Sub Co., a Nevada corporation and wholly owned subsidiary of the Company, and GNH, Inc. (GNH), a Nevada corporation, SUB CO and GNH being the constituent entities in the merger, whereby we intend to issue 14,000,000 shares of our common stock in exchange for 100% of GNH's outstanding common stock. Pursuant to the terms of the merger, SUB CO will be merged with GNH wherein SUB CO shall cease to exist and GNH will become a wholly owned subsidiary of the Company. The Merger was anticipated to become effective on March 31, 2011. As of June 30, 2011, the parties had not completed all of the conditions to the merger and decided to extend the effective date to a later date in order to complete all the terms and conditions of the merger.

We are focused exclusively on successfully consummating the Merger with GNH. If we are unable to effect the proposed transaction, we have limited capital resources and no saleable inventory with which to operate our educational supply business. Additionally, our ability to fund our operating expenses and debt service requirements are in doubt, and we cannot guarantee that we will be able to satisfy such. As such, we would require a significant infusion of cash through sales of our debt or equity securities. There are no formal or informal agreements to attain such financing. We cannot assure you that any financing can be obtained or, if obtained, that it will be on reasonable terms. Without realization of additional capital, it would be unlikely for us to continue as a going concern.

The Merger with GNH, upon closing, will provide us with the ownership of a Giggles N' Hugs Restaurant located in the Westfield Century City shopping complex.

### **Going Concern**

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. As of June 30, 2011, the Company had an accumulated deficit of \$220,554. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

11

The Company is currently contemplating an offering of its equity or debt securities to finance continuing operations. There are no agreements or arrangements currently in place or under negotiation to obtain such financing, and there are no assurances that the Company will be successful and without sufficient financing it would be unlikely for the Company to continue as a going concern.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations.

## **RESULTS OF OPERATIONS**

During the three months ended June 30, 2011, we did not generate revenue and during the three months ended June 30, 2010, we generated \$50 in revenue.

Operating expenses during the three months ended June 30, 2011 were \$52,527, all of which consisted of general and administrative expenses such as accounting, professional and miscellaneous office expenditures. In comparison, operating expenses in the three months ended June 30, 2010 were \$2,038, of which \$163 is attributable to depreciation expense and \$1,875 in general and administrative costs. The increase in total expenses from 2010 to 2011 is primarily attributable to an increase in legal fees, as well as an increase in accounting fees.

During the six months ended June 30, 2011, we did not generate revenue and during the six months ended June 30, 2010, we generated \$200 in revenue.

## Edgar Filing: Giggles N' Hugs, Inc. - Form 10-Q

Operating expenses during the six months ended June 30, 2011 were \$73,436, all of which consisted of general and administrative expenses such as accounting, professional and miscellaneous office expenditures. In comparison, operating expenses in the six months ended June 30, 2010 were \$10,290, of which \$375 is attributable to depreciation expense and \$9,915 in general and administrative costs. The increase in total expenses from 2010 to 2011 is primarily attributable to an increase in legal fees, as well as an increase in accounting fees.

We have not been profitable from our inception in 2004 through June 30, 2011, and our accumulated deficit amounts to \$220,554. There is significant uncertainty projecting future profitability due to our history of losses and lack of revenues. We are materially dependent upon the successful closing of the September 23, 2010 Merger Agreement to be able to continue to operate as a going concern. In our current state, without merging with GNH, we have no recurring or guaranteed source of revenues and cannot predict when, if ever, we will become profitable. There is significant uncertainty projecting future profitability due to our minimal operating history and lack of guaranteed ongoing revenue streams.

### *Liquidity and Capital Resources*

As of June 30, 2011, we had \$913,498 in cash and did not have any other cash equivalents. The following table provides detailed information about our net cash flow for all financial statement periods presented in this Quarterly Report. To date, we have financed our operations through the issuance of stock and borrowings.

The following table sets forth a summary of our cash flows for the six months ended June 30, 2011 and 2010:

12

### **Six Months Ended**

**June 30,**

	<b>2011</b>	<b>2010</b>
Net cash used in operating activities	\$(103,534)	\$(9,465)
Net cash used in investing activities	(1,050,727)	-
Net cash provided by financing activities	2,066,990	9,540
Net increase/(decrease) in Cash	912,729	75
Cash, beginning	769	2,194
Cash, ending	\$913,498	\$2,269

***Operating activities***

Net cash used in operating activities was \$103,534 for the period ended June 30, 2011, as compared to \$9,465 used in operating activities for the same period in 2010. The increase in net cash used in operating activities was primarily due to an increase in general and administrative expenses.

***Investing activities***

Net cash used in investing activities was \$1,050,727 for the period ended June 30, 2011, as compared to \$0 used in investing activities for the same period in 2010. The increase in net cash used in investing activities was primarily due to an increase in related party note receivables.

***Financing activities***

Net cash provided by financing activities for the period ended June 30, 2011 was \$2,066,990, as compared to \$9,540 for the same period of 2010. The increase of net cash provided by financing activities was mainly attributable to proceeds from the sale of common stock in addition to proceeds from related party notes.

We believe that cash flow from operations will meet only a part of our present and near-term cash needs and thus 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, implementation of our strategy to expand our sales and marketing initiatives as well as our current research and development programs, increase brand awareness, or acquisitions we may decide to pursue. 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 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.

**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.

### **Item 3. Quantitative and Qualitative Disclosure About Market Risk**

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

### **Item 4T. Controls and Procedures**

#### ***Evaluation of Disclosure Controls and Procedures***

Our Principal Executive Officer and Principal Financial Officer, Tracie Hadama, 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 that evaluation and assessment, Mrs. Hadama concluded that our disclosure controls and procedures are designed at a reasonable assurance level and are 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 by the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive 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 were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### ***Limitations on Effectiveness of Controls and Procedures***

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

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings.**

We are not a party to any material legal proceedings.

**Item 1A. Risk Factors**

Our significant business risks are described in Item 1A to Form 10-K for the year ended December 31, 2010 to which reference is made herein.

We cannot guarantee the merger with GNH will be completed and closed within the next fiscal quarter. If the merger were to be completed, we cannot ensure that it will be completed with the same business structure and financial basis as is expected today. Therefore you should not rely on the completion of the merger for investment purposes.



## **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

### **Stock Issuances**

On April 27, 2011, we issued 15,000 shares of our restricted common stock to an accredited investor for a total purchase price of \$52,500 all which was paid in cash. The shares were purchased in April 2011.

On May 9, 2011, we issued 17,143 shares of our restricted common stock to an accredited investor for a total purchase price of \$60,000 all of which was paid in cash. The shares were purchased in March 2011.

On June 7, 2011, we issued 10,000 shares of our restricted common stock to an accredited investor for a total purchase price of \$35,000 all which was paid in cash. The shares were purchased in March 2011.

On June 7, 2011, we issued 4,285 shares of our restricted common stock to an accredited investor for a total purchase price of \$15,000 all which was paid in cash. The shares were purchased in January 2011.

On June 7, 2011, we issued 85,715 shares of our restricted common stock to an accredited investor for a total purchase price of \$300,000 all which was paid in cash. The shares were purchased in June 2011.

On June 22, 2011, we issued 14,286 shares of our restricted common stock to an accredited investor for a total purchase price of \$50,000 all which was paid in cash. The shares were purchased in June 2011.

We believe that the issuance and sale of the above shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2) and Regulation D Rule 506. The shares were issued directly by us and did not involve a public offering or general solicitation. The recipients of the shares were afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make their investment decision, including the financial statements and 34 Act reports. We reasonably believed that the recipients, immediately prior to the sale of the shares, were accredited investors and had such knowledge and experience in our financial and business matters that they were capable of evaluating the merits and risks of their investment. The recipients had the opportunity to speak with our management on several occasions prior to their investment decision. There were no commissions paid on the issuance and sale of the shares.

**Issuer Purchases of Equity Securities**

We did not repurchase any of our equity securities from the time of our inception through the period ended June 30, 2011.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

<b>Exhibit No.</b>	<b>Description</b>
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

\*

*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.**

By: /S/ Tracie Hadama\_\_\_\_\_

Tracie Hadama, Principal Executive Officer and Principal Financial Officer

Date: August 16, 2011