REDCHIP Discovering Tomorrow's Blue Chips Today™

Giggles N' Hugs, Inc. (OTCQB: GIGL)

March 6, 2015
Target Price: $0.70
Recent Price: $0.28

Market Data

Fiscal Year	December 31
Industry	Entertainment
Market Cap	$9.3M
Price/Earnings (ttm)	N/A
Price/Book (mrq)	N/A
Price/Sales (ttm)	2.9x
Insider Ownership	54.2%
Shares Outstanding	33.3M
Float	15.2M
Avg. Daily Vol. (3 mos.)	22,618

As of March 5, 2014

Income Snapshot

	TTM
Revenue	$3.2M
EBITDA	($0.5M)
Net Loss	($2.4M)

Balance Sheet Snapshot

	MRQ
Cash	$0.1M
Debt	$0.0M

Company Overview

Giggles N' Hugs is the first and only restaurant that brings together high-end, organic food with play elements and entertainment for children. GIGL offers an upscale, family-friendly atmosphere with a play area filled with climbers, life-size pirate ships and kid-sizecastles 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, along with nightly entertainment such as magic shows, concerts, puppet shows, face painting, and arts and crafts. GIGL was rated among the best family and kid-friendly restaurants by City Search and Nickelodeon, and has been featured in numerous major news programs and publications, including ABC News, FOX News, The Talk on CBS, TV Guide Channel, Extra, Access Hollywood, Entertainment Tonight, Businessweek, People Magazine, US Magazine, and others. The Company currently has three company-owned restaurant locations and plans to have six locations by 2015, nine locations by 2016, 15 locations by 2017, and 25 locations by 2018.

Value Proposition

We are applying a 10.5x EV/EBITDA multiple to our 4Q16E run rate EBITDA projection of $764,735 ($3.06 million over a full-year). Dividing this by our 4Q16E shares outstanding projection of 46.5 million gives a target price of $0.70.

Investment Highlights

- Giggles N' Hugs is a unique new restaurant concept filling an unmet market need; success of first three restaurants sets the foundation for long-term expansion.

- The U.S.'s top three mall operators (Westfield Group, Simon Properties, and General Growth Properties), are offering to pay the majority of GIGL's per restaurant construction cost; this incentive ensures a higher ROI and quicker payback period

- GIGL uses a very specific site selection strategy to maximize ROI.

- Advisory board members Philip Gay, the former CFO of California Pizza Kitchen, and Joan Barnes, the founder and former CEO of Gymboree, provide valuable experience that will help the Company in its expansion plans.

- Private party revenue diversifies cash flows and provides upside to margins.

- New, higher margin revenue streams planned (branded merchandising, franchising, alcohol).

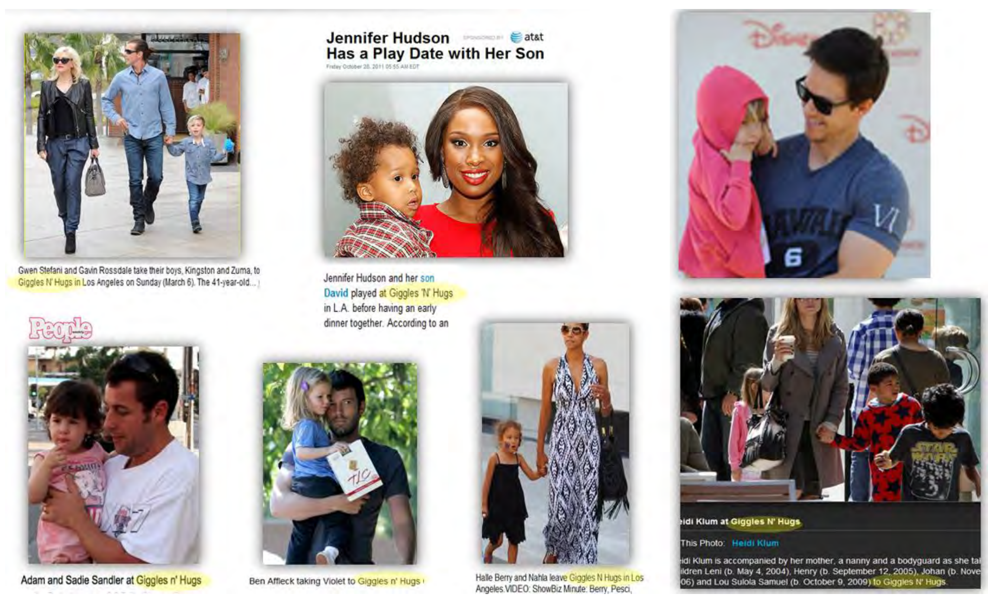
- Top restaurant trends align with GIGL's business plan.

- Chain Restaurant industry in the U.S. valued at $90.6 billion.

- Organic Trade Association reports U.S. sales of organic food and beverage have grown to $32.3 billion in 2013.

Investment Highlights

Giggles N' Hugs is a unique new restaurant concept filling an unmet market need; success of first three restaurants sets the foundation for long-term expansion. Giggles N' Hugs was founded by CEO, Joey Parsi, and his wife, Dora Parsi, in response to frustration they experienced dining with their children. In response to this, the Parsis created a concept combining healthy, quality organic dining with top-notch entertainment for children. The first Giggles N' Hugs restaurant was opened in Brentwood, California in February 2008. The Brentwood location was an immediate success and received widespread media coverage from People Magazine, Bloomberg Businessweek, and US Weekly to name a few. The Company has had the pleasure of servicing many celebrity clients such as Mark Wahlberg, Ben Affleck, Adam Sandler, Halle Berry, Jennifer Hudson, Gwen Stefani, and Heidi Klum.



The Company's wholesome core values and mission can be defined by a simple yet effective mission statement, "To satisfy every parent's need for a restaurant that serves healthy, delicious food and caters to their children's experience as much as their own." GIGL achieves this through offering high quality, nutrious food to both adults and children. The restaurant also has a variety of activities for kids, including kid-size castles, giant climbers, a pirate ship, a walk-on dragon, tricycles, swings, bouncies, and puppet shows, among other activites.

The Company's restaurants have been reviewed very favorably on Yelp, obtaining reviews of 3.5-4 out of 5 stars. Additionally, Giggles N' Hugs was rated among the best family and kid-friendly restaurants by CitySearch, GoCityKids, and Nickelodeon. The popularity of GIGL's first three restaurants provides a basis for success, and as long as the concept is properly duplicated in additional locations, provides the basis for quality, long-term cash flows for the Company.

The U.S.'s top three mall operators (Westfield Group, Simon Properties, and General Growth Properties), are offering to pay the majority of GIGL's per restaurant construction cost; this incentive ensures a higher ROI and quicker payback period. The Westfield Group (landlord for two of GIGL's three restaurants), General Growth Properties (landlord for one of GIGL's restaurants) and Simon Properties have continued to offer the Company very favorable tenant improvement concessions and landlord financing on existing leases. In 2010, Westfield agreed to pay 60% of the construction costs along with additional concessions for the second Giggles N' Hugs restaurant in the Westfield Century City Mall. The success of these restaurants has led to nationwide expansion proposals from the U.S.'s top three mall operators, with all of them offering to pay the majority of construction costs going forward.

The following analysis shows the expected economics of an average single store, based upon the 6,000 square foot, 150-seat prototype within the target demographic. Based on the Company hypothetically commanding tenant improvement funds of $450,000 per location, the payback period on a per asset basis is projected to be approximately 2.14 years.

INITIAL INVESTMENT	
Build-Out Investment	($985,000)
Pre-Opening Expenses	($240,000)
Total Initial Investment	($1,225,000)
Tenant Improvement Funds	$450,000
Total Company Cost	**($775,000)**

Source: Giggles n' Hugs

These numbers could change, as GIGL is negotiating each of its expansion deals on a per location basis. Having the top three mall opeators bidding for Giggles n' Hugs restaurant locations could increase GIGL's negotiating leverage and allow them to build out its restaurants using lower funding amounts. Incentives that GIGL has received from mall operators to date include $590,000 for Century City, $488,409 for Topanga and $475,000 for Glendale. The Company also received a note from General Growth Properties to fund the rest of the construction costs of its Glendale location ($700,000). The more money in tenant concessions that GIGL receives from mall operators, the better the ROI that will be obtained by the Company.

The partnerships with mall operators provide numerous advantages to GIGL, including:

- Lower upfront costs, higher ROIs, and faster payback periods ensure more cash for the Company, which can be used to implement a more aggressive expansion plan throughout the U.S. In our view, once GIGL opens up a few more restaurants, cash flows from these restaurants should be relatively stable due to operating experience and clear expectations of cash flows from restaurants.
- Built-in foot traffic at malls, which ensures that GIGL has access to a large amount of potential customers. Additionally, mall operators give GIGL a large portion of the construction costs because it believes that GIGL will drive additional foot traffic into its malls; it stands to reason that GIGL's restaurants will have strong appeal upon opening.
- GIGL has also received favorable occupancy rates from mall operators. This should improve both ROI and EBITDA margins.

The Company has also retained Todd Star, a former senior executive at Westfield USA, to lead expansion negotiations. Having Todd Star involved in negotiations could lead to better terms for GIGL.

These types of agreements are extremely rare, especially given the existing popularity of many of these malls and the value of tenant space at these locations. This provides an indicator of the expected success for Giggles N' Hugs locations outside of its current California-based restaurants.

GIGL uses a very specific site selection strategy to maximize ROI. One of the biggest reasons GIGL has had so much success with its restaurants is its careful selection of new sites. All new sites are carefully identified by an empirical site selection model and based off of a 6,000 sq. ft. and 150-seat prototype. This empirical site selection model aims to place sites in high-traffic areas which include upscale retail centers and shopping malls, lifestyle or entertainment centers, and areas with children under the age of 10. After multiple site candidates have been identified, management will subject each target location to a rigorous ROI review. This ROI review provides management with an idea of future cashflows.

Two of the major factors that GIGL considers when selecting a mall site are the percentage of households in the area with children and the percentage of affluent households in the area. The chart below shows these statistics from the Company's three existing demographics.

Location	% households with children	% households with income > $100k
Westfield Mall - Century City, CA	24%	21%
Westfield Topanga Shopping Center - Canoga Park, CA	38%	30%
Glendale Galleria (General Growth) - Glendale, CA	47%	23%

Based on our discussions with management, we believe that the Company's next restaurants will be located in Seattle and San Francisco. San Francisco had a median household income of $73,802 from 2008-2012, and Seattle had a median household income of $63,470 from 2008-2012 (source: United States Census Bureau). These locations have the potential to produce higher margins and cash flows than GIGL's existing restaurants, given differences in weather between the Company's existing locations and the Company's planned future locations. In markets that are rainy or exhibit other types of poor weather, the Company anticipates improving its sales by 30%-50% with improved margins, which will lead to even faster growth in EBITDA.

Management team members Philip Gay, the former CFO of California Pizza Kitchen (CPK), John Kaufman, the former Vice President of Operations of California Pizza Kitchen, and advisory board member Joan Barnes, the founder and former CEO of Gymboree, provide valuable experience that will help the Company in its expansion plans. Three of the members of the Company's management team and advisory board that we think will be crucial to GIGL's success are Philip Gay, John Kaufman, and Joan Barnes. Mr. Gay has over 25 years of operating restaurant concepts, and was previously the president and CEO of Grill Concepts, Inc., the CFO of CPK and Wolfgang Puck Food, the CEO of Color Me Mine, and the CEO and COO of Diversified Food Group. Mr. Kaufman has 36 years of experience in the restaurant industry, and was previously the Vice President of Operations of CPK, and the president and COO of Koo Koo Roo. Mr. Kaufman and Mr. Gay, along with the founders of CPK, grew the company from one location to over 70 locations, ultimately leading to the sale of the company to Pepsi. Ms. Barnes is the founder and former CEO of Gymboree, which she built up as an operator of nearly 630 specialty retail stores of children's apparel and over 600 play and music centers worldwide. This led to an extremely successful IPO in 1993, with the Company selling for nearly 20 times the initial venture capital investment or $1.8 billion. Gymboree was also one of the first consumer companies to receive venture capital investment. Following this, Ms. Barnes was the principle owner of YOGASTUDIO, which was one of the first studios to feature different styles of yoga and eco-conscious yoga vacations, clothing and lifestylye brands. YOGASTUDIO was acquired in late 2008 by venture-backed Yoga Studio chain Yoga Works.

We believe that the extensive experience that these two advisory board members bring will help in a number of areas, including:

- Expanding the Company into other locales and business lines
- Providing a superior consumer experience, both for adults and children
- Raising capital to help grow the Company
- Improve overall company operations and cash flows

Philip Gay, John Kaufman, and Joan Barnes also have complementary skill sets and experiences, as Mr. Gay and Mr. Kaufman have spent the majority of their careers helping grow restaurant chains while Ms. Barnes spent a significant portion of her career focusing on meeting the needs and wants of children.

Private party revenue diversifies cash flows and provides upside to margins. We believe that the Company currently has an additional revenue streams that can strongly increase restaurant-level margins and cash flows in the short- to medium-term: birthday parties.

Birthday parties are the Company's highest margin revenue stream and, in our view, gives the Company the highest amount of upside potential relative to other restaurant chains. While margins on birthday parties can vary and it is difficult to determine an exact figure, we believe that birthday parties carry gross margins of at least 33% (and sometimes much higher), based on our discussions with company management. Given this figure, it is clear that birthday parties have the potential to significantly drive both top and bottom line results.

We believe that two things will boost birthday party revenue going forward. One of these is that GIGL is expanding its birthday parties beyond its physical restaurant location and is entering home-based and outdoor parties. This should provide additional revenue in areas with good weather, such as GIGL's current locations in California. When there is quality weather, families tend to have more of their children's birthday parties outdoors or at home, thus reducing the demand for GIGL's in-restaurant parties. Offering outdoor birthday parties allows GIGL to offer birthday parties anywhere. Additionally, parties outside of the restaurant will not take up restaurant space; typically, either part or all of the restaurant has to be shut down for a period of time to accommodate the party. This ensures that GIGL can continue earning revenue from restaurant sales while earning high-margin birthday party revenue outside of its restaurants.

Expansion into areas with colder, rainier weather, such as Seattle and San Francisco, should drive higher demand for indoor birthday parties at GIGL restaurants, thus increasing overall company margins and cash flows. GIGL believes locations such as these can lead to 30-50% higher per restaurant sales, along with higher margins. The Company is also planning to eventually expand further north into Canada (Vancouver, British Columbia) and onto the East Coast, both of which tend to have climates that either have lots of cold weather or lots of rainy weather.

In 2011, there were 19.5 million kids' parties at restaurants according to the NPD Group. Given the quality of the GIGL brand, we believe that the Company will be able to continue to derive strong revenue from birthday parties. Additionally, strong associations with celebrities and top members of the mainstream media should help make Giggles N' Hugs a top destination for a kid's party.

The financial statements of CEC Entertainment, Inc. (the holder of Chuck E. Cheese's), provides insight into how much more entertainment (and merchandising) can add to profits, due to this segment's significantly higher gross margins, as shown in the below chart:

	FY13	FY12	FY11
Food and Beverage Gross Margin	75.5%	75.0%	75.3%
Entertainment and Merchandise Gross Margin	93.4%	92.8%	92.4%

Source: CEC Entertainment, Inc. SEC filings

**Gross margins don't include any expenses for labor, depreciation & amortization, or occupancy*

Based on the above chart, birthday party revenues, if grown, should have a large impact on profits.

New, higher margin revenue streams planned (alcohol, branded merchandising, franchising). We detail some of the Company's potential additional revenue streams below:

Franchising: Management has received many franchising and expansion offers from all over the U.S. and even countries as far away as Russia, Columbia, and the Middle East; according to company management, it has received over 300 franchising offers so far. This desirability will ultimately aid management's expansion aspirations and allow the Company to choose from many different options. We believe, that for at least the short-term, GIGL will continue to operate all of its restaurants; this will give the Company further operational experience, along with providing the opportunity to test out different restaurant ideas before expanding the concept further through franchisees. Franchisee expansion likely represents the fastest way that management can rapidly accelerate revenue and margins, given the speed at which Giggles N' Hugs restaurants could grow. Franchisors typically earn about 2%-7% of the franchisee's sales as royalty revenue; this type of revenue would increase the Company's bottom line and increase margins, as franchised margins are typically much higher than company-operated margins. For example, in FY13, McDonalds company-operated restaurant margins were 17.5%, and its franchised restaurant margins were a much more robust 82.4%. Accelerating franchise expansion should lead to considerably higher margins for GIGL, and represents the highest upside option for the Company to rapidly grow top and bottom line results.

Branded Merchandising: Management has also set its sights on branded merchandising. The vision for Giggles N' Hugs far surpasses just a restaurant rollout. Parsi's main objective is focused on building a brand. This brand will include merchandise such as food products, high-quality children's apparel, drink ware, coloring books, and children's vitamin water. Management plans to sell the merchandise in-store as well as at top-tier retail outlets such as Nordstrom, Bloomingdales, and Whole Foods.

The Company's upcoming frozen food line has significant potential to drive additional revenues, in particular due to the success of GIGL's proprietary "Mom's Tricky Treat Sauce," which hides pureed vegetables into meals such as pizza, pastas and macaroni and cheese. This makes the meals healthier for kids and could be a strong attractant for sales in the marketplace. According to Packaged Facts, a division of Market Research Group, LLC, marketing effectively to kids means marketing effectively to parents, and a healthy alternative to unhealthy frozen food products could gain significant traction in the U.S. kids food and beverage marketplace, which was estimated to be worth $23.2 billion in 2013. Within this market, 41% of American moms have said they always buy healthy food and drinks for their kids and 88% of American moms said they sometimes buy healthy food and drinks.

Giggles N' Hugs has signed an agreement with The Licensing Shop (TLS) to extend the Giggles N' Hugs restaurant experience into "on-brand" products. TLS specializes in the strategic development of consumer products and plans to get GIGL the brand exposure it desires through the extension of the brand into licensed products, creation of new revenue streams, and reaching new customers. TLS has worked with a number of popular brands such as CBS Consumer Products, Sesame Street, Sketchers, Dino Dan, and Monster Jam.

As noted earlier, the Company also has Joan Barnes on its advisory board. Ms. Barnes was the founder and CEO of Gymboree, which focused primarily on providing and retailing high-quality clothing for children. She brings excellent experience in knowing how to design and market high-quality children's apparel.

Eventually, merchandising can be a way for GIGL to add an additional revenue stream without adding any overhead. Also, merchandise can help to create a symbiotic revenue effect with the restaurants; consumers can buy the merchandise, which drives them to come to GIGL's restaurants, and a good experience at a Giggles N' Hugs can incentivize people to buy its products. An example of this could be GIGL's kids clothing line, which is slated to include branded kids shirts, hats, pants, bibs, and other apparel. Many of the Company's celebrity clientele are frequently photographed, and any pictures of their children wearing Giggles N' Hugs apparel could provide powerful and free marketing for Giggles N' Hugs. Typically, top celebrities get paid at least tens of thousands of dollars to wear a particular brand's clothing. A company with a fully developed merchandising concept is Cracker Barrel Old Country Store, Inc., which has its own gift shops attached to their restaurants. Cracker Barrel's retail line generates approximately 20% of the company's overall revenue annually. While this doesn't represent the exact strategy that Giggles N' Hugs is attempting to accomplish with its merchandising, it provides some insight into the value this can eventually deliver to a restaurant chain.

Alcohol: The Company anticipates that selling alcohol to adults will allow the Company to capture additional high margin revenue. While figures can vary, typically wine gets marked up between 200%-600%, and beer gets marked up 500%-600%. In a 2014 Ibis World report titled, "Chain Restaurants in the U.S."

author Andy Brennan reveals that licensed chain restaurants will typically earn 15%-25% of a patron's check value through sales of alcoholic beverages. These figures indicate that offering alcohol could provide a fairly strong boost to both revenue and margins.

Top restaurant trends align with GIGL's business plan. According to the National Restaurant Association, the top four restaurant trends for 2014 are:

1. Locally-sourced meats and seafood
2. Locally-grown produce
3. Environmental sustainability
4. Healthy kids' meals

The above trends align with GIGL's business plan, and offer some insight into why GIGL has become a hot commodity among consumers, mall operators, and franchisees.

Chain Restaurant industry in the U.S. valued at $90.6 billion. In the 2014 Ibis World report titled, "Chain Restaurants in the U.S." author Andy Brennan estimates the U.S. Chain Restaurant industry in 2014 to be worth a total of $90.6 billion. Brennan further projects, that industry revenue will grow at an annualized rate of 1.8% to $99.2 billion over the five years leading to 2019.

Revenue Outlook

Year	Revenue $ million	Growth %
2015	94,627.8	4.4
2016	96,898.8	2.4
2017	95,929.9	-1.0
2018	97,752.5	1.9
2019	99,218.8	1.5
2020	101,004.8	1.8

While this is a massive figure, the main takeaway for investors interested in GIGL is Brennan's view on restaurant industry trends. Brennan goes on to explain, "Over the past five years, consumers have been more aware of issues related to weight and obesity, nutrition, and food safety than they were before. Therefore, as the healthy eating index rises, demand for some restaurants with fewer healthy options will decrease. The healthy eating index is expected to increase slowly over 2014 and will remain a potential threat to the industry due to the number of restaurants that have yet to fully adapt their menus to suit the trend. It is also expected to affect overall performance for industry players selling unhealthy food on menus, such as fried food or hamburgers." As stated earlier in this report, GIGL has the menu to properly take advantage of this trend.

Organic Trade Association reports U.S. sales of organic products have grown to $35.1 Billion in 2013. In the Organic Trade Association's 2013 Organic Industry Survey it was reported that overall U.S. sales of organic products have grown to $35.1 billion in 2013, up 11.5% from $31.5 billion in 2012. Industry experts expect the organic industry to continue to grow at least at 11.5% going forward, with the possibility of a growth rate slightly larger than the 11.5% figure. This sector has and will continue to grow as more Americans become more health conscious. In March 2014, author Sally Lerman published an Ibis World report titled, "Specialty Food Stores in the U.S." In this report she states, "Growth will continue to arise from demand for organic food over the next five years and beyond. According to the US Department of Agriculture, organic food is by far the fastest-growing industry food segment in the world, with growth occurring in new farms, products and processors. Currently, organic food sales account for 4.2% of total food sales, but this segment is projected to account for more than 5.0% of the US food market by the end of 2019, based on current growth rates. While sales generated by the organic market are comparatively small, they are growing much faster than the food industry as a whole. Because organic food is more driven by consumer preferences than marketing, health issues, obesity, and concerns about artificial pesticides will boost demand."

Peer Comparison

Name	Ticker	Market Cap	Price	EV/S (ttm)	P/E (ttm)	EV/EBITDA (ttm)	EBITDA Margin (ttm)
LUBY'S INC	LUB	126.41	4.48	0.44	N/A	11.31	3.86%
FLANIGAN'S ENTERPRISES INC	BDL	55.48	29.85	0.74	19.50	7.39	10.07%
FRISCH'S RESTAURANTS INC	FRS	139.05	27.17	0.68	15.43	6.68	10.17%
FAMOUS DAVE'S OF AMERICA	DAVE	182.59	26.47	1.30	26.63	11.28	12.40%
KONA GRILL INC	KONA	245.71	23.60	1.75	397.44	24.44	7.31%
DIVERSIFIED RESTAURANT HOLDI	BAGR	130.93	4.98	1.38	N/A	13.09	9.44%
Median		***134.99***	***25.04***	***1.02***	***23.07***	***11.30***	***9.76%***
Average		***146.70***	***19.43***	***1.05***	***114.75***	***12.37***	***8.88%***

Valuation

We are applying a 10.5x EV/EBITDA multiple to our 4Q16E run rate EBITDA projection of $764,735 ($3.06 million over a full-year). Dividing this by our 4Q16E shares outstanding projection of 46.5 million gives a target price of $0.70. Some assumptions in our model are as follows:

- We assume that GIGL adds one additional restaurant each quarter in the 3Q15-3Q16 period, so that GIGL will have eight total restaurants by 3Q16
- We assume improvements in food and beverage sales and private party rentals, driven by the eventual sale of alcoholic beverages and the introduction of both outdoor and at-home private parties, along with certain weather climates in new geographic markets that will help drive GIGL's private party business

- We believe margins will improve, due to alcohol and increased private party revenue
- We have GIGL turning profitable in 1Q16, when we project the Company will have six restaurants
- Expansion is driven through equity raises. We project GIGL will need to raise $725,000 per restaurant opening (we assume GIGL receives $500,000 in tenant improvement funds per location), or $3.6 million for five restaurants. Thus, we anticipate the Company having 46.5 million shares outstanding by 4Q15.
- Further upside exists to our projections through branded merchandise and franchising. We are not projecting any revenue from these sources over our current projection horizon, but both of these revenue sources could add significantly to projections.

	1Q13	2Q13	3Q13	4Q13	FY2013	1Q14	2Q14	3Q14	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	1Q16E	2Q16E	3Q16E	4Q16E	2016E
REVENUES																				
Net Sales	**347,947**	**662,484**	**614,510**	**635,789**	**2,260,730**	**822,050**	**824,611**	**913,270**	**931,260**	**2,577,921**	**958,260**	**982,260**	**1,321,680**	**1,722,100**	**4,984,300**	**2,156,520**	**2,655,940**	**3,195,360**	**3,355,360**	**11,363,180**
YoY Revenue Growth	*5.82%*	*111.61%*	*84.52%*	*70.10%*	*67.62%*	*336.26%*	*224.47%*	*248.62%*	*246.47%*	*14.03%*	*16.57%*	*19.12%*	*44.72%*	*84.92%*	*93.35%*	*125.05%*	*170.39%*	*141.77%*	*94.84%*	*127.98%*
QoQ Revenue Growth	*-6.91%*	*90.40%*	*-7.24%*	*3.46%*		*29.30%*	*0.31%*	*10.75%*	*1.97%*		*2.90%*	*2.50%*	*34.56%*	*30.30%*		*25.23%*	*23.16%*	*20.31%*	*5.01%*	
Cost of Sales including food and beverage	108,748	118,061	100,548	112,088	376,353	214,083	229,570	229,459	204,877	877,989	191,652	176,807	264,336	344,420	977,215	409,739	478,069	543,211	536,858	1,967,877
Gross Profit	**239,199**	**544,423**	**513,962**	**523,701**	**1,884,377**	**607,967**	**595,041**	**683,811**	**726,383**	**2,613,202**	**766,608**	**805,453**	**1,057,344**	**1,377,680**	**4,007,085**	**1,746,781**	**2,177,871**	**2,652,149**	**2,818,502**	**9,395,303**
Gross Margins	*68.75%*	*82.18%*	*83.64%*	*82.37%*	*83.35%*	*73.96%*	*72.16%*	*74.88%*	*78.00%*	*101.37%*	*80.00%*	*82.00%*	*80.00%*	*80.00%*	*80.39%*	*81.00%*	*82.00%*	*83.00%*	*84.00%*	*82.68%*
OPERATING EXPENSES																				
Labor	132,124	236,602	230,979	274,500	874,205	319,518	315,747	334,261	334,560	1,304,086	334,860	335,160	447,280	565,000	1,682,300	693,300	819,000	960,000	976,000	3,448,300
Occupancy Cost	69,690	135,830	153,242	169,329	528,090	234,670	222,482	219,865	219,864	896,881	219,864	219,864	292,640	355,800	1,088,168	420,360	483,420	544,480	544,480	1,992,740
Other			92,516	54,549	240,246		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation Expense	25,856	54,254	56,928	67,278	204,317	84,186	86,966	89,019	89,019	349,190	89,019	89,019	118,692	148,365	445,095	178,038	207,711	237,384	237,384	860,517
TOTAL OPERATING EXPENSES	**227,670**	**426,686**	**533,665**	**565,656**	**1,846,858**	**638,374**	**625,195**	**643,145**	**643,443**	**2,550,157**	**643,743**	**644,043**	**858,612**	**1,069,165**	**3,215,563**	**1,291,698**	**1,510,131**	**1,741,864**	**1,757,864**	**6,301,557**
Operating Income	**11,529**	**117,737**	**(19,703)**	**(41,955)**	**37,519**	**(30,407)**	**(30,154)**	**40,666**	**82,940**	**63,045**	**122,865**	**161,410**	**198,732**	**308,515**	**791,522**	**455,083**	**667,740**	**910,285**	**1,060,638**	**3,093,746**
Operating Margin	*3.31%*	*17.77%*	*-3.21%*	*-6.60%*	*1.66%*	*-3.70%*	*-3.66%*	*4.45%*	*8.91%*	*2.45%*	*12.82%*	*16.43%*	*15.04%*	*17.92%*	*15.88%*	*21.10%*	*25.14%*	*28.49%*	*31.61%*	*27.23%*
OTHER (INCOME) EXPENSES																				
Executive Compensation	37,423	132,693	94,545	102,500	367,161	102,500	99,615	89,701	89,701	381,517	89,701	89,701	89,701	89,701	358,804	89,701	89,701	89,701	89,701	358,804
Employee stock-based compensation	0	0	0	90,000	90,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-employee stock based compensation	95,366	89,700	87,600	(333)	272,333	22,688	20,346	134,155	20,346	197,535	20,346	20,346	20,346	20,346	81,384	20,346	20,346	20,346	20,346	81,384
Professional and Consulting expenses	89,610	168,713	86,794	195,126	540,243	239,374	160,622	110,943	195,000	705,939	250,000	250,000	275,000	300,000	1,075,000	300,000	325,000	325,000	350,000	1,300,000
G & A	50,280	84,504	31,759	110,298	246,752	79,336	67,656	154,280	67,656	368,928	67,656	67,656	68,333	69,016	272,660	70,396	71,804	73,240	73,240	288,681
EBITDA	**(235,294)**	**(303,619)**	**(263,473)**	**(472,268)**	**(1,274,653)**	**(390,119)**	**(291,427)**	**(359,394)**	**(200,744)**	**(1,241,684)**	**(215,819)**	**(177,274)**	**(135,956)**	**(22,183)**	**(551,231)**	**152,678**	**368,600**	**639,382**	**764,735**	**1,925,394**
Finance and interest expense	13,500	13,500	31,355	32,232	90,587	34,890	95,716	410,523	27,752	568,881	27,752	27,752	27,752	29,201	112,456	29,926	29,926	29,926	29,926	119,704
Gain on stock issuance for payable settlement	0	(50,000)	0	0	(50,000)	(2,133)	0	0	0	(2,133)	0	0	0	0	0	0	0	0	0	0
Loss before provision for income taxes	**(274,650)**	**(321,373)**	**(351,756)**	**(571,778)**	**(1,519,557)**	**(507,062)**	**(474,109)**	**(858,936)**	**(228,496)**	**(1,808,432)**	**(243,571)**	**(205,025)**	**(163,707)**	**(51,384)**	**(663,687)**	**122,752**	**338,674**	**609,456**	**734,809**	**1,805,690**
Provision for income taxes	**0**	**0**	**4,740**	**958**	**5,698**	**(800)**	**3,200**	**0**	**3,200**	**5,600**	**3,200**	**3,200**	**3,200**	**3,200**	**3,200**	**3,200**	**3,200**	**152,364**	**183,702**	**342,466**
Net Income (Loss)	**(274,650)**	**(321,373)**	**(356,496)**	**(572,736)**	**(1,525,255)**	**(506,262)**	**(477,309)**	**(858,936)**	**(231,696)**	**(1,814,032)**	**(246,771)**	**(208,225)**	**(166,907)**	**(54,584)**	**(666,887)**	**119,552**	**335,474**	**457,092**	**551,107**	**1,463,224**
Net Margin	*-78.93%*	*-48.51%*	*-58.01%*	*-90.08%*	*-67.47%*	*-61.59%*	*-57.88%*	*-94.05%*	*-24.88%*	*-70.37%*	*-25.75%*	*-21.20%*	*-12.63%*	*-3.17%*	*-13.38%*	*5.54%*	*12.63%*	*14.30%*	*16.42%*	*12.88%*
INCOME (LOSS) PER COMMON SHARE																				
Basic	(0.01)	(0.01)	(0.01)	(0.02)	(0.06)	(0.02)	(0.02)	(0.03)	(0.01)	(0.07)	(0.01)	(0.01)	(0.00)	(0.00)	(0.02)	0.00	0.01	0.01	0.01	0.03
Diluted	(0.01)	(0.01)	(0.01)	(0.02)	(0.06)	(0.02)	(0.02)	(0.03)	(0.01)	(0.07)	(0.01)	(0.01)	(0.00)	(0.00)	(0.02)	0.00	0.01	0.01	0.01	0.03
Basic Weighted Avg number of Common Shares	23,175,367	23,886,123	23,886,123	23,886,123	23,886,123	24,404,877	22,524,733	31,263,801	33,263,830	27,864,310	40,513,830	40,513,830	40,513,830	46,513,830	42,013,830	46,513,830	46,513,830	46,513,830	46,513,830	46,513,830
Diluted Weighted Avg number of Common Shares	23,175,367	23,886,123	23,886,123	23,886,123	23,886,123	24,404,877	22,524,733	31,263,801	33,263,830	27,864,310	40,513,830	40,513,830	40,513,830	46,513,830	42,013,830	46,513,830	46,513,830	46,513,830	46,513,830	46,513,830

Risks

New restaurant locations may not perform as well in less affluent areas. Currently Giggles N' Hugs has strategically placed their first three restaurants in extremely affluent areas. If the Company fails to place new restaurants in the proper locations, they might not be received as well, and cash flow may be lower than anticipated. However, the Company's business plan targets affluent areas, and each potential location undergoes a vigorous review process.

The Company has a limited operating history. GIGL's restaurant operating history is relatively limited, and this relative inexperience could lead to growing pains when expanding and operating new restaruants in new locations. Having Phillip Gay and Joan Barnes on the advisory board should help ease this transition.

GIGL will likely need to obtain additional equity or debt financing to expand Giggles N' Hugs. In order to expand its restaurants, GIGL will need additional financing for upfront construction and opening costs. This may come in the form of either equity or debt; given the Company's previous financing history, we expect it to be in the form of equity, which would mean shareholder dilution. There is also a possibility of receiving a note from a mall operator to cover capex costs; this already occurred at GIGL's Glendale location.

Fluctuations in food pricing could increase margin volatility. GIGL is committed to using organic food in all of its restaurants. Obtaining organic ingredients could be more difficult or costly at times relative to non-organic ingredients, which could increase quarter to quarter margin volatility.

The Company is contemplating adding additional revenue streams, many of which it has little to no experience in monetizing. These streams include, but are not limited to, alcohol sales, branded merchandise, and franchising. However, these have been proven to work by other restaurant operators, providing a blueprint on how to effectively monetize this revenue. These streams also have the potential to increase margins and therefore, profitability.

Management

Joey Parsi – Founder, President & Director
Mr. Joey Parsi is a founder of Giggles N' Hugs Restaurant, which Mr. Parsi and his wife founded in 2007 after experiencing the same issues as all parents while dining out with their daughter. Mr. Parsi and his wife decided to open a children's restaurant (Giggles N' Hugs) that served healthy, gourmet food, with an area that allowed kids to play with toys, be entertained, play games, and various other family friendly activities.

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

At TD Waterhouse, between 2001 and 2006, Mr. Parsi personally managed more than $350 million in assets for clients, and oversaw more than $1 billion in assets in his region. From 2006 to 2010, Mr. Parsi served as the Senior Vice President at Stockcross Financial Services where he advised high net worth clients on investment matters.

Philip Gay – Chief Business Development Officer

Philip Gay has worked as the chief business development officer of Giggles N' Hugs since February 2015. In his role as chief business development officer at Giggles N' Hugs, Mr. Gay's responsibilities will include designing and implementing processes to support business growth, as well as building and maintaining high-level contacts with current and prospective customers and partners, ultimately driving prospects through to contract award. Mr. Gay brings nearly three decades of industry-related senior executive experience to Giggles N' Hugs. From 2004 to 2010, he served as director, president, and CEO of Grill Concepts, a publicly-traded operator of upscale casual and fine dining restaurants throughout the U.S. Previously he served as chief financial officer for California Pizza Kitchen and Wolfgang Puck Food Company, and he has held various COO and CEO positions at Color Me Mine and Diversified Food Group.

John Kaufman – Interim President

John Kaufman has wored as the interim president of Giggles N' Hugs since March 2015. Previously, Mr. Kaufman was the former Vice President of Operations of California Pizza Kitchen (CPK). While at CPK, Kaufman worked alongside Philip Gay, who was the CFO, and currently serves as chief business development officer of Giggles N' Hugs. Together with the founders of CPK, Kaufman and Gay laid the foundation and grew the company from one location to more than 70 locations when he left the company after its sale to Pepsi co.

After his success at CPK, Kaufman was recruited by Lee Iacocca Chairman of Koo Koo Roo and former Chairman and CEO of the Chrysler Company, to lead operations as president and COO of Koo Koo Roo, one of the fastest growing healthy casual restaurant concepts. In less than three years, Kaufman and the Koo

Koo Roo team opened an additional 20 locations, bringing the total to 45, and turned the company from cash flow negative to cash flow positive by focusing resources on the core brand, increasing performance, controlling costs, and improving customer service.

During Kaufman's 36 years of experience in the restaurant industry, he has opened more than 100 restaurants including 2 of his own, Truxton's American Bistro. Kaufman has worked with some of the most successful restaurant companies to maximize operational effectiveness and significantly increase cash flow and customer counts. By combining his proven leadership skills with a deep understanding of the food industry operations, P&L management, menu/brand development, and systems and procedures, Kaufman created beneficial relationships with owners, staff, customers, and management that enabled him to achieve and maintain substantial increases in productivity, service, and profitability.

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

Additional Information

Legal: Stoecklein Law Group
Auditor: De Joya Griffith, LLC
Transfer Agent: West Coast Stock Transfer Inc.

Company Website
Company Information

About RedChip

RedChip Companies, an Inc. 5000 company, is an international small-cap research, investor relations, and media company headquartered in Orlando, Florida; with affiliate offices in San Francisco, Seoul, Hong Kong and Singapore. RedChip delivers concrete, measurable results for its clients through its extensive global network of small-cap institutional and retail investors. RedChip has developed the most comprehensive platform of products and services for small-cap companies, including: RedChip Research(TM), Traditional Investor Relations, Digital Investor Relations, Institutional and Retail Conferences, "The RedChip Money Report"(TM) television show, Shareholder Intelligence, Social Media and Blogging Services, and Webcasts. RedChip is not a FINRA member or registered broker/dealer.

The information contained herein is not intended to be used as the basis for investment decisions and should not be construed as advice intended to meet the particular investment needs of any investor. The information contained herein is not a representation or warranty and is not an offer or solicitation of an offer to buy or sell any security. To the fullest extent of the law, RedChip Companies, Inc., our specialists, advisors, and partners will not be liable to any person or entity for the quality, accuracy, completeness, reliability or timeliness of the information provided, or for any direct, indirect, consequential, incidental, special or punitive damages that may arise out of the use of information provided to any person or entity (including but not limited to lost profits, loss of opportunities, trading losses and damages that may result from any inaccuracy or incompleteness of this information). Investors are expected to take full responsibility for any and all of their investment decisions based on their own independent research and evaluation of their own investment goals, risk tolerance, and financial condition. Investors are further cautioned that small-cap and microcap stocks have additional risks that may result in trading at a discount to their peers. Liquidity risk, caused by small trading floats and very low trading volume can lead to large spreads and high volatility in stock price. Small-cap and microcap stocks may also have significant company-specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the small-cap and microcap segments of the market. The information, opinions, data, quantitative and qualitative statements contained herein have been obtained from sources believed to be reliable but have not been independently verified and are not guaranteed as to accuracy, nor does it purport to be a complete analysis of every material fact regarding the company, industry, or security. The information, opinions, or recommendations are solely for advisory and informational purposes and are only valid as of the date appearing on the report and are subject to change without notice. Statements that are not historical facts are "forward-looking statements" that involve risks and uncertainties. "Forward looking statements" as defined under Section 27A of the Securities Act of 1933, Section 21B of the Securities Exchange Act of 1934 and the Private Securities Litigation Act of 1995 include words such as "opportunities," "trends," "potential," "estimates," "may," "will," "could," "should," "anticipates," "expects" or comparable terminology or by discussions of strategy. These forward looking statements are subject to a number of known and unknown risks and uncertainties outside of the company's or our control that could cause actual operations or results to differ materially from those anticipated. Factors that could affect performance include, but are not limited to those factors that are discussed in each profiled company's most recent reports or registration statements filed with the SEC. Investors should consider these factors in evaluating the forward looking statements contained herein and not place undue reliance upon such statements. Investors are encouraged to read investment information available at the websites of the SEC at http://www.sec.gov and FINRA at http://www.finra.org Giggles n' Hugs (GIGL) is a client of RedChip Companies, Inc. GIGL agreed to pay RedChip Companies, Inc. a monthly cash fee and 425,000 shares of Rule 144 stock for nine (9) months of RedChip investor awareness services. Investor awareness services and programs are designed to help small-cap companies communicate their investment characteristics. RedChip investor awareness services include the preparation of a research profile(s), multimedia marketing, and other awareness services.

Additional information about the subject security or RedChip Companies Inc. is available upon request. To learn more about RedChip's products and services, visit http://www.redchip.com/visibility/productsandservices.asp, call 1-800-RedChip (733-2447), or email info@redchip.com.

Company Contact Info:
Giggles N' Hugs, Inc.
10250 Santa Monica Blvd., #155
Los Angeles, CA 90067
Phone: 1-310-553-4847
www.gigglesnhugs.com

Investor Contact Info:
RedChip Companies, Inc.
1017 Maitland Center Commons Blvd.
Maitland, FL 32751
(407) 644-4256
www.redchip.com