U.S. SECURITIES AND EXCHANGE COMMISSION Washington, DC 20549

FORM 10-K

(Mark one)

|  |  |
| --- | --- |
| ☒ | ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934    For the fiscal year ended: November 30, 2024 |
|  |  |
| ☐ | TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934    For the transition period from \_\_\_\_\_\_ to \_\_\_\_\_\_   Commission file number: 0-31555 |

  BAB, Inc.

(Exact name of registrant as specified in its charter)

|  |  |
| --- | --- |
| Delaware | 36-4389547 |
| (State or other jurisdiction of incorporation) | (IRS Employer or organization Identification No.) |

500 Lake Cook Road, Suite 475   Deerfield, Illinois 60015

(Address of principal executive offices) (Zip Code)

Registrant’s telephone number: (847) 948-7520

Securities registered pursuant to Section 12(b) of the Act:

|  |  |  |
| --- | --- | --- |
| Title of each class | Trading Symbol(s) | Name of exchange on which registered |
| Common Stock | BABB | NASDAQ/OTC |

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark if the issuer is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  ☒ Yes ☐ No

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

|  |  |  |  |
| --- | --- | --- | --- |
| Large accelerated filer | ☐ | Accelerated filer ☐ |  |
| Non-accelerated filer | ☐ | Smaller reporting company ☒ | Emerging growth company ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  ☐   No ☒

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐ Yes ☒ No

The aggregate market value of the voting common equity held by nonaffiliates as of the last business day of the registrant’s most recently completed second fiscal quarter was: $3,613,316 based on 4,817,754 shares held by nonaffiliates as of May 31, 2024; Closing price ($0.75) for said shares in the NASDAQ OTCQB Marketplace as of such date.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 7,263,508shares of Common Stock, as of February 26, 2025.

 DOCUMENTS INCORPORATED BY REFERENCE

See index to exhibits

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**PART I**

**ITEM 1. BUSINESS**

BAB, Inc. (“the Company”) has three wholly owned subsidiaries: BAB Systems, Inc. (“Systems”), BAB Operations, Inc. (“Operations”) and BAB Investments, Inc. (“Investments”). Systems was incorporated on December 2, 1992, and was primarily established to franchise Big Apple Bagels® (“BAB”) specialty bagel retail stores. My Favorite Muffin (“MFM”) was acquired in 1997 and is included as a part of Systems. Brewster’s (“Brewster’s”) was established in 1996 and the coffee is sold in BAB and MFM locations. SweetDuet® (“SD”) frozen yogurt can be added as an additional brand in a BAB or MFM location. Operations was formed in 1995, primarily to operate Company-owned stores of which there are currently none. The assets of Jacobs Bros. Bagels (“Jacobs Bros.”) were acquired in 1999, and any branded wholesale business uses this trademark. Investments was incorporated in 2009 to be used for the purpose of acquisitions. To date there have been no acquisitions.

The Company was incorporated under the laws of the State of Delaware on July 12, 2000.  The Company currently franchises and licenses bagel and muffin retail units under the BAB, MFM and SD trade names. At November 30, 2024, the Company had 61 franchise units and 4 licensed units in operation in 18 states. There are 4 units under development. The Company's revenues are derived primarily from the ongoing royalties paid to the Company by its franchisees and from receipt of initial franchise fees.  Additionally, the Company derives revenue from the sale of licensed products (My Favorite Muffin mix, and Brewster's coffee) to franchisees, licensees and other approved customers.

The BAB franchised brand consists of units operating as “Big Apple Bagels®,” featuring daily baked bagels, flavored cream cheeses, premium coffees, gourmet bagel sandwiches and other related products. BAB units are primarily concentrated in the Midwest and Western United States.  The MFM brand consists of units operating as “My Favorite Muffin Gourmet Muffin Bakery®” (“MFM Bakery”), featuring a large variety of freshly baked muffins and coffees and units operating as “My Favorite Muffin Your All Day Bakery Café®” (“MFM Cafe”) featuring these products as well as a variety of specialty bagel sandwiches and related products.  The SweetDuet® is a branded self-serve frozen yogurt that can be added as an additional brand in a BAB location.  Although the Company doesn't actively market Brewster's stand-alone franchises, Brewster's coffee products are sold in most franchised units.

The Company is leveraging on the natural synergy of distributing muffin products in existing BAB units and, alternatively, bagel products and Brewster's Coffee in existing MFM units. The Company expects to continue to realize efficiencies in servicing the combined base of BAB and MFM franchisees.

Net Income

The Company reported net income of $525,000 for fiscal year ended November 30, 2024 and net income of $467,000 for fiscal year ended November 30, 2023. November 30, 2024 net operating income was $665,000 compared to $615,000 in 2023.

Food Service Industry

Food service businesses are often affected by changes in consumer tastes; national, regional, and local economic conditions; demographic trends; traffic patterns; and the type, number and location of competing restaurants. Multi-unit food service chains, such as the Company's, can also be substantially adversely affected by publicity resulting from problems with food quality, illness, injury or other health concerns or operating issues stemming from one store or a limited number of stores. The food service business is also subject to the risk that shortages or interruptions in supply caused by adverse weather or other conditions could negatively affect the availability, quality and cost of ingredients and other food products. In addition, factors such as inflation, increased food and labor costs, regional weather conditions, availability and cost of suitable sites and the availability of experienced management and hourly employees may also adversely affect the food service industry in general and the Company's results of operations and financial condition in particular.

**CUSTOMERS**

The Company’s franchisees represent a varied geographic and demographic group.  Among some of the primary services the Company provides to its franchisees are marketing assistance, training, time-tested successful recipes, bulk purchasing discounts, food service knowledgeable personnel and brand recognition.

**SUPPLIERS**

The Company's major suppliers are The Daily Java, Dawn Food Products, Inc., Coca-Cola, SYSCO, and Gordon Food Service.  The Company is not dependent on any of these suppliers for future growth and profitability since like products that may be purchased from these suppliers is available from other sources.

**LOCATIONS**

The Company had 61 franchised locations and 4 licensed units in 18 states. There are 4 units under development.

**STORE OPERATIONS**

BIG APPLE BAGELS®--BAB franchised stores bake a variety of fresh bagels daily and offer up to 11 flavors of cream cheese spreads.   Stores also offer a wide assortment of breakfast and lunch bagel sandwiches, salads, soups, various dessert items, fruit smoothies, gourmet coffees and other beverages. A typical BAB store is in an area with a mix of both residential and commercial properties and ranges from 1,500 to 2,000 square feet. The Company's current store design is approximately 1,800 square feet, with seating capacity for 20 to 30 persons, and includes approximately 750 square feet devoted to production and baking. A satellite store is typically smaller than a production store, averaging 800 to 1,200 square feet. Although franchise stores may vary in size from other franchise stores, store layout is generally consistent.

MY FAVORITE MUFFIN®--MFM franchised stores bake 20 to 25 varieties of muffins daily from over 125 recipes. They also serve gourmet coffees, beverages and, at MFM Cafe locations, a variety of bagels, bagel sandwiches and related products. A typical MFM store is in an area with a mix of both residential and commercial properties and ranges from 1,500 to 2,000 square feet. The typical MFM Café store design is approximately 1,800 square feet, with seating capacity for 20 to 30 persons. The MFM Bakery is approximately 1,500 square feet, with seating for 10 to 12 persons and typically sells only muffins and coffee. Although franchise stores may vary in size from other franchise stores, store layout is generally consistent.

SWEETDUET®-- The Company does not have any stand-alone SweetDuet franchises, but the SweetDuet concept is available as an added brand to a BAB or MFM location.

BREWSTER'S® COFFEE--Although the Company doesn't have, or actively market, Brewster's stand-alone franchises, Brewster's coffee products are sold in most of the franchised units.

**FRANCHISING**

The Company requires payment of an initial franchise fee per store, plus an ongoing 5% royalty on net sales. Additionally, BAB, MFM and SD franchisees are members of a marketing fund requiring an ongoing 3% contribution for general system-wide marketing. BAB currently requires a franchise fee of $25,000 on a franchisee's first full production BAB store. There is currently a $10,000 veterans discount for the franchise fee for the first location. The fee for subsequent production stores for BAB is $20,000. MFM currently requires a franchise fee of $30,000 on a franchisee's first full production MFM store. The fee for subsequent production stores for MFM is $25,000.

The Company's current Franchise Disclosure Documents (“FDD”) provides for, among other things, the opportunity for prospective franchisees to enter into a Preliminary Agreement for their first production store. This agreement enables a prospective franchisee a period of 60 days in which to locate a site. The fee for this Preliminary Agreement is $10,000. If a prospective franchisee fails to submit a site to Corporate in the designated timeframe, the preliminary agreement may be terminated and the fee is nonrefundable.  If the prospective franchisee submits in writing, the request to terminate the agreement within the required timeframe, prior to submitting a site for approval Corporate will issue a refund of the preliminary fee less $3,000. If the prospective franchisee submits one site for approval that is not approved by Corporate, Corporate may, at its sole discretion either grant an extension to the above referenced 60 day period or terminate the Preliminary Agreement and refund the preliminary fee less $3,000. If a site is approved, the entire $10,000 will be applied toward the initial franchise fee.  See also last paragraph under "Government Regulation" section in this 10-K. The Company's Franchise Agreement provides a franchisee with the right to develop one store at a specific location. Each Franchise Agreement is for a term of 10 years with the right to renew. Franchisees are expected to be in operation no later than 10 months following the signing of the Franchise Agreement.

The Company currently advertises its franchising opportunities in directories, newspapers and the internet. In addition, prospective franchisees contact the Company as a result of patronizing an existing store.

**COMPETITION**

The quick service restaurant industry is intensely competitive with respect to product quality, concept, location, service and price. There are a number of national, regional and local chains operating both owned and franchised stores which compete with the Company on a national level or solely in a specific market or region. The Company believes that because the industry is extremely fragmented, there is a significant opportunity for expansion in the bagel, muffin and coffee concept chains.

The Company believes the primary direct competitors of its bagel units are Panera Bread Company, Bruegger's Bagel Bakery and Einstein Bros. Bagels. There are several other regional bagel chains with fewer than 65 stores, as well as numerous small, independently owned bagel bakeries and national fast-food restaurants such as Dunkin’ and McDonald’s, all of which may compete with the Company. There is no major national competitor in the muffin business, but there are a number of regional and local operators. Additionally, the Company competes directly with a number of national, regional and local coffee competitors.

Other competition includes supermarket bakery sections and prepackaged, fresh and frozen bagels, muffins and yogurt. Certain of these competitors may have greater product and name recognition and larger financial, marketing and distribution capabilities than the Company.  The Company believes the startup costs associated with opening a retail food establishment offering similar products on a stand-alone basis are competitive with the startup costs associated with opening its stores and, accordingly, such startup costs are not an impediment to entry into the retail bagel, muffin, frozen yogurt or coffee businesses.

The Company believes that its stores compete favorably in terms of food quality, taste, convenience, customer service and value, which the Company believes are important factors to its targeted customers.  Competition in the food service industry is often affected by changes in consumer tastes, national, regional and local economic and real estate conditions, demographic trends, traffic patterns, the cost and availability of labor, consumer purchasing power, availability of product and local competitive factors.  The Company attempts to manage or adapt to these factors, but not all such factors are within the Company's control. Such factors could cause the Company and some or all of its franchisees to be adversely affected.

The Company competes for qualified franchisees with a wide variety of investment opportunities in the restaurant business, as well as other industries. Investment opportunities in the bagel bakery cafe business include franchises offered by Einstein Bros. Bagels, Bruegger's Bagel Bakery and Panera Bread Company.  The Company's continued success is dependent on its reputation for providing high quality and value with respect to its service, products and franchises. This reputation is affected by the performance of its franchise stores and licensed units that sell branded products over which the Company has limited control.

**TRADEMARKS AND SERVICE MARKS**

The trademarks, trade names and service marks used by the Company contain common descriptive English words and thus may be subject to challenge by users of these words, alone or in combination with other words, to describe other services or products. Some persons or entities may have prior rights to these names or marks in their respective localities. Accordingly, there is no assurance that such names and marks are available in all locations. Any challenge, if successful, in whole or in part, could restrict the Company's use of the names and marks in areas in which the challenger is found to have used the name or mark prior to the Company's use. Any such restriction could limit the expansion of the Company's use of the names or marks into that region, and the Company and its franchisees may be materially and adversely affected.

The trademarks and service marks "Big Apple Bagels®," "My Favorite Muffin®," “SweetDuet®”and "Brewster's® Coffee" are registered under applicable federal trademark law. The MFM brand consists of units operating as “My Favorite Muffin Gourmet Muffin Bakery®” (“MFM Bakery”), featuring a large variety of freshly baked muffins and coffees and units operating as “My Favorite Muffin Your All Day Bakery Café®” (“MFM Cafe”) featuring these products as well as a variety of specialty bagel sandwiches and related products.  These marks are licensed by the Company to its franchisees pursuant to Franchise Agreements.   In February 1999, the Company acquired the trademark of "Jacobs Bros. Bagels®" upon purchasing certain assets of Jacobs Bros. The "Jacobs Bros. Bagels®" mark is also registered under applicable federal trademark law.

The Company is aware of the use by other persons and entities in certain geographic areas of names and marks which are the same as, or similar to, the Company's names and marks. Some of these persons or entities may have prior rights to those names or marks in their respective localities; therefore, there is no assurance that the names and marks are available in all locations. It is the Company's policy to pursue registration of its names and marks whenever possible and to vigorously oppose any infringement of its names and marks.

**GOVERNMENT REGULATION**

The Company is subject to the Trade Regulation Rule of the Federal Trade Commission (the "FTC") entitled “Disclosure Requirements and Prohibitions Concerning Franchising'' (the "Amended FTC Franchise Rule") and state and local laws and regulations that govern the offer, sale and termination of franchises and the refusal to renew franchises. Continued compliance with these broad federal, state and local regulatory networks is essential and costly. The failure to comply with such regulations may have a material adverse effect on the Company and its franchisees. Violations of franchising laws and/or state laws and regulations regulating substantive aspects of doing business in a particular state could limit the Company's ability to sell franchises or subject the Company and its affiliates to rescission offers, monetary damages, penalties, imprisonment and/or injunctive proceedings. In addition, under court decisions in certain states, absolute vicarious liability may be imposed upon franchisors based upon claims made against franchisees. Even if the Company is able to obtain insurance coverage for such claims, there can be no assurance that such insurance will be sufficient to cover potential claims against the Company.

The Company and its franchisees are required to comply with federal, state and local government regulations applicable to consumer food service businesses, including those relating to the preparation and sale of food, minimum wage requirements, overtime, working and safety conditions, citizenship requirements, as well as regulations relating to zoning, construction, health and business licensing. Each store is subject to regulation by federal agencies and to licensing and regulation by state and local health, sanitation, safety, fire and other departments. Difficulties or failures in obtaining the required licenses or approvals could delay or prevent the opening of a new Company-owned or franchise store, and failure to remain in compliance with applicable regulations could cause the temporary or permanent closing of an existing store. The Company believes that it is in material compliance with these provisions. Continued compliance with these federal, state and local laws and regulations is costly but essential, and failure to comply may have an adverse effect on the Company and its franchisees.

The Company's franchising operations are subject to regulation by the FTC under the Amended FTC Franchise Rule which requires, among other things, that the Company prepare and periodically update a comprehensive disclosure document known as a Franchise Disclosure Document (“FDD”) in connection with the sale and operation of its franchises. In addition, some states require a franchisor to register its franchise with the state before it may offer a franchise to a prospective franchisee. The Company believes its FDDs, together with any applicable state versions or supplements, comply with both the FTC guidelines and all applicable state laws regulating franchising in those states in which it has offered franchises.

The Company is also subject to a number of state laws, as well as foreign laws (to the extent it offers franchises outside of the United States), that regulate substantive aspects of the franchisor-franchisee relationship, including, but not limited to, those concerning termination and non-renewal of a franchise.

**EMPLOYEES**

As of November 30, 2024, the Company employed 11 full time people and one part time person in the Corporate headquarters. The employees are responsible for corporate management and oversight, franchising, accounting, advertising and operations.  None of the Company's employees are subject to any collective bargaining agreements and management considers its relations with its employees to be good.

BAB, Inc. considers its employees one of its greatest assets. The Company offers its employees competitive pay and a benefit program. All employees receive fair and equitable pay. The Company contributes 65% of the cost of health, dental and vision insurance premiums. The Company also contributes up to 4% of matching funds for the 401(k) program. Daily working hours are reasonably flexible.

The Company from time-to-time hires individuals who are beginning their career with an entry level job and provides on the job training. We encourage employees to expand and develop their talents while employed at the Company so that when the Company has open employment opportunities it can promote from within its employee base.

**ITEM 1A. RISK FACTORS**

**Not required for smaller reporting companies.**

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

**Not required for smaller reporting companies.**

**ITEM 1C. CYBERSECURITY**

Our Audit Committee, composed of two independent Board of Director members, has oversight responsibility for the Company’s cyber-security risk. The internal members of management that oversee cybersecurity is the Chief Financial Officer, (“CFO”) and the Director of Franchise Operations/Staff Attorney, (“DFO”). The CFO reports to the Audit Committee prior to each quarterly and annual 10-Q and 10-K filing, respectively, on any current cyber changes, procedures and any identified risks. The CFO provides the Audit Committee any cyber insurance information and will obtain approval for any changes in cyber insurance coverage. The CFO will also provide the Audit Committee any information on any possible third-party information technology, (“IT”) service and consultant changes. The Audit Committee will review and approve any change in IT service providers. The Audit Committee will be immediately notified of any cyber security threats or incidents.

At BAB, Inc. we recognize the importance of safeguarding our systems, data and assets, even in an environment where the risk of cyber incidents is minimal due to the nature of our business. The CFO has over 30 years of experience in risk management and working with computer systems across various industries, providing strong oversight of the cybersecurity efforts. The DFO has several years of experience in IT operations within the company. The internal management team of the CFO and DFO are both familiar and knowledgeable of the company’s computer systems and operations and they are familiar with the company’s policies, procedures and accountability for safeguarding critical data and assets. Cybersecurity tools as listed below aid in mitigating cybersecurity risk.

Our cybersecurity infrastructure includes a combination of technical, administrative and physical safeguards designed to mitigate cybersecurity risks. As part of our risk management process, the CFO also regularly engages with the outside IT consultants to review and minimize the Company’s cyber risk.

The Company has a firewall that protects the whole network, including intrusion protection, virus protection and other subscription-based protection that updates regularly. For those with remote access there is end-to-end encryption with a secure VPN to access the server. All computers, including those in office and any remote user’s computers have an antivirus software from a company that specializes in cybersecurity that has been installed and maintained by an outside IT consultant. The software is updating and reviewing any cyber threats on a continual basis. Additional services provide email filters to minimize phishing and spam emails. Employees are trained to not open suspicious emails and to never open attachments unless they are expecting an attachment from that Company or individual.

Sensitive files are password protected and accessible by only select individuals. These files are maintained on a separate drive. Computer files are backed up and redundancy protocols are in place so that minimal downtime would occur in the event of a cyber breach. The Company also maintains cyber insurance coverage to ensure that the Company is adequately prepared in the event of an unforeseen cyber incident.

No system is entirely immune to cyber threats and although our risk is low, the impact of a cybersecurity incident could impact our business, cause reputational harm, subject us to increased operating costs and/or expose us to litigation. To date, we have had no cybersecurity incidents that have materially impacted, or are reasonably likely to materially impact our operations or financial condition. Should an incident occur, the CFO and/or DFO will immediately report the incident to the Audit Committee with all details. The communication will identify what steps are currently being taken to resolve the incident, and what actions are being taken to prevent any further security incidents from occurring.

**ITEM 2. PROPERTIES**

The Company's principal executive office, consisting of approximately 5,300 square feet, is located in Deerfield, Illinois and is leased. The original lease expired March 31, 2024.

On February 15, 2024 the Company signed a lease for the same executive office space in Deerfield, Illinois, consisting of approximately 5,300 square feet. The lease is for a period of 6 years, beginning April 1, 2024 through March 31, 2030 with an option to renew for a 5-year period.

**ITEM 3. LEGAL PROCEEDINGS**

We may be subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of such proceedings or claims cannot be predicted with certainty, management does not believe that the outcome of any such proceedings or claims will have a material effect on our financial position. We know of no pending or threatened proceeding or claim to which we are or will be a party.

**ITEM 4. MINE SAFETY DISCLOSURES**

None

**PART II**

**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The following table sets forth the quarterly high and low reported closing sales prices for the Company's common stock, as reported in the Nasdaq Small Cap Market for the two years ended November 30, 2024 and 2023.  The Company's common stock is traded on the NASDAQ OTCQB Marketplace under the symbol "BABB."

|  |  |  |
| --- | --- | --- |
| Year Ended: November 30, 2024 | Low | High |
| First quarter | 0.68 | 0.80 |
| Second quarter | 0.67 | 0.80 |
| Third quarter | 0.75 | 0.90 |
| Fourth quarter | 0.74 | 0.85 |
|  |  |  |
| Year Ended: November 30, 2023 | Low | High |
| First quarter | 0.73 | 0.92 |
| Second quarter | 0.70 | 0.86 |
| Third quarter | 0.69 | 0.85 |
| Fourth quarter | 0.69 | 0.80 |

As of February 26, 2025, the Company's Common Stock was held by 114 registered holders of record. Registered ownership includes nominees who may hold securities on behalf of multiple beneficial owners. The Company estimates that the number of beneficial owners of its common stock at February 26, 2025, is approximately 1,100 based upon information provided by a proxy services firm.

**CASH DISTRIBUTION AND DIVIDEND POLICY**

On December 4, 2024 the Board of Directors declared a $0.03 cash distribution/dividend per share, $0.01 quarterly and $0.02 special, to stockholders of record as of December 23, 2024, paid January 9, 2025.

On September 6, 2024 the Board of Directors (“Board”) declared a $0.01 quarterly cash distribution, payable on October 11, 2024 to stockholders of record as of September 23, 2024. On June 06, 2024 the Board declared a $0.01 quarterly cash distribution, paid on July 12, 2024 to stockholders of record as of June 24, 2024. On March 6, 2024 the Board declared a $0.01 quarterly cash distribution, paid on April 12, 2024 to stockholders of record as of March 21, 2024. On December 11, 2023 the Board declared a $0.02 cash distribution/dividend per share, $0.01 quarterly and $0.01 special to stockholders of record as of December 27, 2023, paid January 16, 2024.

On September 12, 2023 the Board declared a $0.01 distribution/dividend per share to stockholders of record as of September 28, 2023, paid October 18, 2023. On June 6, 2023 the Board declared a $0.01 distribution/dividend per share to stockholders of record as of June 22, 2023, paid on July 11, 2023. On March 13, 2023 the Board declared a $0.01 distribution/dividend per share to stockholders of record as of March 30, 2023, paid on April 19, 2023. On December 07, 2022 the Board declared a $0.02 cash distribution/dividend per share, $0.01 quarterly and $0.01 special, to stockholders of record as of December 22, 2022, paid January 11, 2023.

On May 6, 2013, the Board authorized and declared a dividend distribution of one right for each outstanding share of the common stock of the Company to stockholders of record at the close of business on May 13, 2013. Each right entitles the registered holder to purchase from the Company one one-thousandth of a share of the Series A Participating Preferred Stock of the Company at an exercise price of $0.90 per one-thousandth of a Preferred Share, subject to adjustment. The complete terms of the Rights are set forth in a Preferred Shares Rights Agreement, dated May 6, 2013, between the Company and IST Stockholder Services, as rights agent.

The Board adopted the Rights Agreement to protect stockholders from coercive or otherwise unfair takeover tactics. In general terms, it works by imposing a significant penalty upon any person or group, other than exempt person, that acquires 15% (or 20% in the case of certain institutional investors who report their holdings on Schedule 13G) or more of the Common Shares without the approval of the Board. As a result, the overall effect of the Rights Agreement and the issuance of the Rights may be to render more difficult a merger, tender or exchange offer or other business combination involving the Company that is not approved by the Board. However, neither the Rights Agreement nor the Rights should interfere with any merger, tender or exchange offer or other business combination approved by the Board.

Full details about the Rights Plan are contained in a Form 8-K filed by the Company with the U.S. Securities and Exchange Commission on May 7, 2013.

On June 18, 2014 an amendment to the Preferred Shares Rights Agreement was filed appointing American Stock Transfer & Trust Company, LLC as successor to Illinois Stock Transfer Company. All original rights and provisions remain unchanged. On August 18, 2015 an amendment was filed to the Preferred Shares Rights Agreement changing the final expiration date to mean the fifth anniversary of the date of the original agreement. All other original rights and provisions remain the same. On May 22, 2017 an amendment was filed extending the final expiration date to mean the seventh anniversary date of the original agreement. All other original rights and provisions remain the same. On February 22, 2019 an amendment was filed extending the final expiration date to mean the ninth anniversary date of the original agreement. All other original rights and provisions remain the same. On March 4, 2021 an amendment was filed extending the final expiration date to mean the eleventh anniversary date of the original agreement. All other original rights and provisions remain the same. On April 4, 2023 an amendment was filed extending the final expiration date to mean the fourteenth anniversary date of the original agreement. All other original rights and provisions remain the same.

Determination of whether distributions are considered a cash distribution, cash dividend or combination of the two are not made until after December 31, 2024, as the classification or combination is dependent upon the Company’s earnings and profits for tax purposes for its fiscal year ending November 30, 2024.

The Company believes execution of its cash distribution/dividend policy will not have any material adverse effects on its ability to fund current operations or future capital investments.

**ITEM 6.  RESERVED**

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

The selected financial data contained herein has been derived from the consolidated financial statements of the Company included elsewhere in this Report on Form 10-K. The data should be read in conjunction with the consolidated financial statements and notes thereto.  Certain statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, including statements regarding the development of the Company's business, the markets for the Company's products, anticipated capital expenditures, and the effects of completed and proposed acquisitions, and other statements and disclosures contained herein and throughout this Annual Report regarding matters that are not historical facts, are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). In such cases, we may use words such as "believe," "intend," "expect," "anticipate" and the like.  Because such statements include risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Certain risks and uncertainties are wholly or partially outside the control of the Company and its management, including its ability to attract new franchisees; the continued success of current franchisees; the effects of competition on franchisee store results; consumer acceptance of the Company's products in new and existing markets; fluctuation in development and operating costs; brand awareness; availability and terms of capital; adverse publicity; acceptance of new product offerings; availability of locations and terms of sites for store development; food, labor and employee benefit costs; changes in government regulation (including increases in the minimum wage); regional economic and weather conditions; the hiring, training, and retention of skilled corporate and restaurant management; and the integration and assimilation of acquired concepts. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof.  The Company undertakes no obligation to publicly release the results of any revision to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

**GENERAL**

The Company has 61 franchised and 4 licensed units with 4 units under development at the end of 2024. Units in operation and under development at the end of 2023 included 63 franchised and 4 licensed units and 5 units under development.  System-wide revenues were $41.4 million in 2024 and $40.5 million in 2023.

The Company's revenues are derived primarily from the ongoing royalties paid to the Company by its franchisees and from receipt of initial franchise fees.  Additionally, the Company derives revenue from the sale of licensed products (My Favorite Muffin mix, and Brewster's coffee) to franchisees, licensees and other approved customers.

**YEAR 2024 COMPARED TO YEAR 2023**

Total revenues from all sources increased $35,000, or 1.0%, to $3,545,000 in 2024 from $3,510,000 in the prior year. Franchise fee revenue increased $29,000, royalty revenue increased $50,000 and licensing fees and other revenue increased $24,000 in 2024 compared to 2023, offset by a decrease in Marketing Fund revenue of $67,000 in 2024 compared to 2023.

Royalty fee revenue of $1,995,000, for the fiscal year ended November 30, 2024, increased $50,000, or 2.6%, from the $1,945,000 for fiscal year ended November 30, 2023.The increase in royalties for the fiscal year ended November 30, 2024 was primarily due to franchisees continued increase in usage of online ordering and delivery services in their areas.

Franchise fee revenue increased $29,000, or 107.4%, to $56,000 in 2024 as compared to $27,000 in 2023. In 2024 there were two transfers, one store opened and one store closed that had not been fully amortized that resulted in an additional $23,000 in franchise fees recognized, in addition to the normal monthly amortization. In 2023 there were two transfers, and one store closed that had not been fully amortized resulting in $2,000 in franchise fees recognized, in addition to the normal monthly amortization.

Licensing fees and other income increased $24,000, or 8.2%, to $318,000 in 2024 compared to $294,000 in 2023.  Marketing fund revenues decreased $67,000, or 5.4% to $1,177,000 in 2024 compared to $1,244,000 in 2023.

Total operating expenses in 2024 were $2,880,000, or 81.2% of revenues, compared to $2,895,000, or 82.5% of revenues in 2023. Total operating expenses in 2024 decreased $15,000, or 0.5%, compared to 2023.

The decrease in operating expenses of $15,000, or 0.5% in 2024 was primarily due to a decrease in marketing expenses of $67,000, occupancy expense of $13,000, a $10,000 decrease in advertising and promotion and other expenses decreased $4,000, offset by an increase in payroll and payroll taxes of $48,000, an increase in professional fees of $19,000, and a sales-type lease termination added $12,000 in expenses compared to the same period 2023.

Interest income increased $30,000, or 83.3% to $66,000 in 2024 compared to 36,000 in 2023.

In 2024 there was an income tax expense of $206,000 which includes $8,000 of noncash deferred tax expense, $150,000 of federal income tax, and $48,000 of state taxes. In 2023 there was an income tax expense of $183,000 which includes $27,000 of noncash deferred tax expense, $117,000 of federal income tax, and $39,000 of state taxes. There was net income of $525,000 in 2024 versus a net income of $467,000 in 2023.

Total operating income before interest and taxes was $665,000 in 2024 or 18.8% of revenue as compared to $615,000 or 17.5% of revenue in the prior year. In 2024 earnings per share for basic and diluted outstanding shares was $0.07 compared to $0.06 in 2023.

**LIQUIDITY AND CAPITAL RESOURCES**

At November 30. 2024, the Company had working capital of $1,784,000 and unrestricted cash of $2,178,000. At November 30, 2023, the Company had working capital of 1,614,000 and unrestricted cash of $1,889,000.

During fiscal 2024, the Company had net income of $525,000 and operating activities which provided cash of $638,000. The principal adjustments to reconcile net income to cash provided by operating activities were depreciation and amortization of $4,000, deferred tax expense of $8,000, provision for uncollectible accounts of $28,000, noncash lease expense of $91,000 and $12,000 for a loss on sales-type lease termination. In addition, changes in other operating assets and liabilities decreased cash a total of $30,000. During fiscal 2023, the Company had net income of $467,000 and operating activities which provided cash of $534,000. The principal adjustments to reconcile net income to cash provided by operating activities were depreciation and amortization of $4,000, deferred tax expense of $28,000, provision for uncollectible accounts of $18,000 and noncash lease expense of $99,000. In addition, changes in other operating assets and liabilities decreased cash a total of $82,000.

During fiscal 2024, the Company used $10,000 for investing activities and $1,000 of funds were used in fiscal 2023.

Financing activities in fiscal 2024 and fiscal 2023 included cash used for distributions/dividend payments to common stockholders of $363,000 for each year.

Although there can be no assurances that the Company will be able to pay cash distributions/dividends in the future, it is the Company’s intent that future cash distributions/dividends will be considered based on profitability expectations and financing needs and will be declared at the discretion of the Board of Directors. It is the Company’s intent going forward to declare and pay cash distributions/dividends on a quarterly basis if warranted.

Determination of whether distributions are considered a cash distribution, cash dividend or combination of the two will not be made until after December 31, 2024, as the classification or combination is dependent upon the Company’s earnings and profits for tax purposes for its fiscal year ending November 30, 2024.

The Company believes execution of its cash distribution/dividend policy will not have any material adverse effects on its ability to fund current operations or future capital investments.

**Unknown Risks, Trends and Uncertainties**

**Currently there are no material events or uncertainties known to management that would affect future operations.**

**OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off balance sheet arrangements.

**CRITICAL ACCOUNTING POLICIES**

The Company's significant accounting policies are presented in the Notes to the Consolidated Financial Statements (see Note 2 of the audited consolidated financial statements included herein).  While all of the significant accounting policies impact the Company's Consolidated Financial Statements, some of the policies may be viewed to be more critical.  The more critical policies are those that are most important to the portrayal of the Company's financial condition and results of operations and that require management's most difficult, subjective and/or complex judgments and estimates.   Management bases its judgments and estimates on historical experience and various other factors that are believed to be reasonable under the circumstances.  The results of judgments and estimates form the basis for making judgments about the Company's value of assets and liabilities that are not readily apparent from other sources.  Actual results could differ from those estimates under different assumptions or conditions.   Management believes the following are its most critical accounting policies because they require more significant judgments and estimates in preparation of its consolidated financial statements.

**Long-Lived Assets**

Property and equipment are recorded at cost.  Improvements and replacements are capitalized, while expenditures for maintenance and routine repairs that do not extend the life of the asset are charged to expense as incurred.  Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets.  Property, equipment and leasehold improvements are stated at cost, less accumulated depreciation.  Estimated useful lives for the purpose of depreciation and amortization are 3 to 7 years for property and equipment and 10 years, or the term of the lease if less, for leasehold improvements.

**Goodwill and Other Intangible Assets**

Accounting Standard Codification (“ASC”) 350 “Goodwill and Other Intangible Assets” requires that assets with indefinite lives no longer be amortized, but instead be subject to annual impairment tests. The Company follows this guidance.

Following the guidelines contained in ASC 350, the Company tests goodwill and intangible assets that are not subject to amortization for impairment annually or more frequently if events or circumstances indicate that impairment is possible. The Company has elected to conduct its annual test during the first quarter. During the quarters ended February 28, 2024 and 2023, management qualitatively assessed goodwill to determine whether testing was necessary. Factors that management considers in this assessment include macroeconomic conditions, industry and market considerations, overall financial performance (both current and projected), changes in management and strategy, and changes in the composition and carrying amounts of net assets. If this qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than it’s carrying value, a quantitative assessment is then performed.

Management reviewed and updated the qualitative assessment conducted during the first quarter 2024 at year end and does not believe that any impairment exists at November 30, 2024.

**Concentrations of Credit Risk**

Certain financial instruments potentially subject the Company to concentrations of credit risk.  These financial instruments consist primarily of royalty and wholesale accounts receivables.   The Company believes it has maintained adequate reserves for doubtful accounts.

In the first quarter of fiscal 2024 BAB Inc. adopted FASB ASC Topic 326, Financial Instruments - Credit Losses, (“CECL”) with an adoption date of December 1, 2023. As a result, the Company changed its accounting policy for allowance for credit losses and the policy pursuant to CECL is disclosed in Note 2 of the audited Consolidated Financial Statements.

**Deferred Taxes**

The Company routinely reviews the future realization of tax assets based on projected future reversals of taxable temporary differences, available tax planning strategies and projected future taxable income.

**Leases**

The Company accounts for leases under ASC 842. Lease arrangements are determined at the inception of the contract. Operating leases are included in operating lease right-of-use (“ROU”) assets, other current liabilities and long-term operating lease liabilities on the consolidated balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most leases do not provide an implicit rate, we use an incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

**Franchise and related revenue**

The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective location(s), and continuing royalty fees on a weekly basis based upon a percentage of franchisee net sales. The initial term of franchise agreements are typically 10 years.  Subject to the Company’s approval, a franchisee may generally renew the franchise agreement upon its expiration.  If approved, a franchisee may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by the current owner which then terminates that franchise agreement. A franchise agreement is signed with the new franchisee with no franchise fee required. If a contract is terminated prior to its term, it is a breach of contract and a penalty is assessed based on a formula reviewed and approved by management. Revenue generated from a contract breach is termed settlement income by the Company and included in licensing fees and other income.

Under the terms of our franchise agreements, the Company typically promises to provide franchise rights, pre-opening services such as blueprints, operational materials, planning and functional training courses, and ongoing services, such as management of the marketing fund. The Company considers certain pre-opening activities and the franchise rights and related ongoing services represent two separate performance obligations. The franchise fee revenue has been allocated to the two separate performance obligations using a residual approach. The Company has estimated the value of performance obligations related to certain pre-opening activities deemed to be distinct based on cost plus an applicable margin, and assigned the remaining amount of the initial franchise fee to the franchise rights and ongoing services. Revenue allocated to preopening activities is recognized when (or as) these services are performed. Revenue allocated to franchise rights and ongoing services is deferred until the store opens, and recognized on a straight-line basis over the duration of the agreement, as this ensures that revenue recognition aligns with the customer’s access to the franchise right.

Royalty fees from franchised stores represent a 5% fee on net retail and wholesale sales of franchised units. Royalty revenues are recognized on an accrual basis using actual franchise receipts. Generally, franchisees report and remit royalties on a weekly basis. The majority of month-end receipts are recorded on an accrual basis based on actual numbers from reports received from franchisees shortly after the month-end. Estimates are utilized in certain instances where actual numbers have not been received and such estimates are based on the average of the last 10 weeks’ actual reported sales.

Royalty income is recognized during the respective franchise agreement based on the royalties earned each period as the underlying franchise store sales occur.

There are two items involving revenue recognition of contracts that require us to make subjective judgments: the determination of which performance obligations are distinct within the context of the overall contract and the estimated stand-alone selling price of each obligation. In instances where our contract includes significant customization or modification services, the customization and modification services are generally combined and recorded as one distinct performance obligation.

**Nontraditional and rebate revenue**

As part of the Company’s franchise agreements, the franchisee purchases products and supplies from designated vendors.  The Company may receive various fees and rebates from the vendors and distributors on product purchases by franchisees.  In addition, the Company may collect various initial fees, and those fees are classified as deferred revenue in the balance sheet and straight lined over the life of the contract as deferred revenue in the balance sheet. The Company does not possess control of the products prior to their transfer to the franchisee and products are delivered to franchisees directly from the vendor or their distributors. The Company recognizes the rebates as franchisees purchase products and supplies from vendors or distributors and recognizes the initial fees over the contract life and the fees are reported as licensing fees and other income in the Condensed Consolidated Statements of Income.

**Gift card breakage revenue**

The Company sells gift cards to its customers in its retail stores and through its Corporate office. The Company’s gift cards do not have an expiration date and are not redeemable for cash except where required by law. Revenue from gift cards is recognized upon redemption in exchange for product and reported within franchisee store revenue and the royalty and marketing fees are paid and shown in the Condensed Consolidated Statements of Income. Until redemption, outstanding customer balances are recorded as a liability. An obligation is recorded at the time of sale of the gift card and it is included in accrued expenses on the Company’s Condensed Consolidated Balance Sheets. Included in accounts payable and accrued expenses at November 30, 2024 and 2023 were liabilities of $234,000 and $226,000, respectively for unredeemed gift cards.

The liability is reduced when the gift cards are redeemed by a franchise. Although there are no expiration dates for our gift cards, based on our analysis of historical gift card redemption patterns, we can reasonably estimate the amount of gift cards for which redemption is remote, which is referred to as “breakage.” The Company recognizes gift card breakage proportional to actual gift card redemptions on a quarterly basis and the corresponding revenue is included in licensing fees and other revenue. Significant judgments and estimates are required in determining the breakage rate and will be reassessed each quarter.

**Accounting Pronouncements**

In December 2023, the FASB issued ASU 2023-09, “Improvements to Income Tax Disclosures” which is intended to simplify various aspects related to accounting for income taxes. ASU 2023-09 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The amendments in ASU 2023-09 are effective for public business entities for fiscal years beginning after December 15, 2024, including interim periods therein. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have not yet been issued. The Company will adopt ASU 2023-09 for fiscal year ending November 30, 2026.

Management does not believe that there are any recently issued and effective or not yet effective accounting pronouncements as of November 30, 2024 that would have or are expected to have any significant effect on the Company’s financial position, cash flows or income statement.

**ITEM 7A.  QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

In regard to interest, foreign currency and commodity price risk the Company does not believe that these are significant risk factors.

**ITEM 8. FINANCIAL STATEMENTS**

The Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm is included immediately following.

BAB, Inc.

Years Ended November 30, 2024 and 2023

## C o n t e n t s

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and  
Stockholders of BAB, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of BAB, Inc. (the Company) as of November 30, 2024 and 2023, and the related statements of income, stockholders’ equity, and cash flows for each of the years in the two-year period ended November 30, 2024, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended November 30, 2024, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Valuation of goodwill and indefinite-lived intangible assets*

At November 30, 2024, the Company’s goodwill was $1,493,771 and indefinite-lived intangible assets were $461,445. As disclosed in Note 2 to the consolidated financial statements, goodwill and indefinite-lived intangible assets are tested for impairment either qualitatively or quantitively at least annually, or more frequently if indicators of impairment require the performance of interim impairment assessment. During the year ended November 30, 2024, management qualitatively assessed goodwill to determine whether additional quantitative testing was necessary.

Auditing the accounting for goodwill and indefinite-lived intangible assets was highly judgmental due to the qualitative nature of the goodwill impairment evaluation, and the subjectivity in determining whether it is more likely than not that the fair value of goodwill and indefinite-lived intangible assets are less than the carrying amount.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included obtaining an understanding and evaluating the design and operating effectiveness of controls over the Company’s process of accounting for goodwill and indefinite-lived intangible assets, and evaluating events and circumstances identified by management to support an assertion that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. Relevant events and circumstances evaluated included general macroeconomic conditions, industry and market conditions in which the Company operates, changes in cost factors, overall financial performance, including both actual and expected performance, entity-specific events, changes in share price, both in absolute terms and relative to peers, and any applicable quantitative analysis used to support qualitative discussions.

|  |  |
| --- | --- |
| /s/ Sassetti LLC |  |
| Oak Brook, Illinois | |
| February 26, 2025 |  |
|  |  |

We have served as the Company’s auditor since 2007.

**BAB, Inc**

**Consolidated Balance Sheets**

**November 30, 2024 and 2023**

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See accompanying notes

**BAB, Inc**

**Consolidated Statements of Income**

#### Years Ended November 30, 2024 and 2023



See accompanying notes

**BAB, Inc**

**Consolidated Statements of Stockholders’ Equity**

**Years Ended November 30, 2024 and 2023**

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See accompanying notes

**BAB, Inc**

#### Consolidated Statements of Cash Flows

**Years Ended November 30, 2024 and 2023**

****

See accompanying notes

**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

###### Note 1 - Nature of Operations

BAB, Inc (“the Company”) has three wholly owned subsidiaries: BAB Systems, Inc. (“Systems”) and BAB Operations, Inc. (“Operations”) and BAB Investments, Inc. (“Investments”). Systems was incorporated on December 2, 1992, and was primarily established to franchise Big Apple Bagels® (“BAB”) specialty bagel retail stores. My Favorite Muffin (“MFM”) was acquired in 1997 and is included as a part of Systems. Brewster’s (“Brewster’s”) was established in 1996 and the coffee is sold in BAB and MFM locations. SweetDuet® (“SD”) frozen yogurt can be added as an additional brand in a BAB or MFM location. Operations was formed in 1995, primarily to operate Company-owned stores of which there are currently none. The assets of Jacobs Bros. Bagels (“Jacobs Bros.”) were acquired in 1999, and any branded wholesale business uses this trademark. Investments was incorporated in 2009 to be used for the purpose of acquisitions. To date there have been no acquisitions.

The Company was incorporated under the laws of the State of Delaware on July 12, 2000.  The Company currently franchises and licenses bagel and muffin retail units under the BAB and MFM trade names. At November 30, 2024, the Company had 61 franchise units and 4 licensed units in operation in 18 states. There are 4 units under development. The Company's revenues are derived primarily from the ongoing royalties paid to the Company by its franchisees and from receipt of initial franchise fees.  Additionally, the Company derives revenue from the sale of licensed products (My Favorite Muffin mix, and Brewster's coffee) to franchisees, licensees and other approved customers.

The BAB franchised brand consists of units operating as “Big Apple Bagels®,” featuring daily baked bagels, flavored cream cheeses, premium coffees, gourmet bagel sandwiches and other related products. BAB units are primarily concentrated in the Midwest and Western United States.  The MFM brand consists of units operating as “My Favorite Muffin Gourmet Muffin Bakery®” (“MFM Bakery”), featuring a large variety of freshly baked muffins and coffees and units operating as “My Favorite Muffin Your All Day Bakery Café®” (“MFM Cafe”) featuring these products as well as a variety of specialty bagel sandwiches and related products.  The SweetDuet® is a branded self-serve frozen yogurt that can be added as an additional brand in a BAB location.  Although the Company doesn't actively market Brewster's stand-alone franchises, Brewster's coffee products are sold in most franchised units.

The Company is leveraging on the natural synergy of distributing muffin products in existing BAB units and, alternatively, bagel products and Brewster's Coffee in existing MFM units. The Company expects to continue to realize efficiencies in servicing the combined base of BAB and MFM franchisees.

**Note 2 - Summary of Significant Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

**Uses of Estimates**

The preparation of the financial statements and accompanying notes are in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. Actual results could differ from those estimates.

**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Adopted Accounting Pronouncements**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The standard’s main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope, including trade receivables. The amendments in this update broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The guidance in ASU 2016-13 is effective for public companies for fiscal years and for interim periods with those fiscal years beginning after December 15, 2022. The Company adopted ASU 2016-13 in the first quarter of fiscal 2024 using the modified retrospective method. The adoption did not have a material impact to the financial statements.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and demand deposits with banks with original maturities of less than 90 days. The balances of bank accounts may, at times, exceed federally insured credit limits. The Company has not experienced any loss in such accounts and believes it is not subject to any significant credit risk related to cash at November 30, 2024.

**Accounts and Notes Receivable**

The Company adopted FASB ASC Topic 326, Financial Instruments - Credit Losses, (“CECL”) with an adoption date of December 1, 2023. As a result, the Company changed its accounting policy for allowance for credit losses and the policy pursuant to CECL is disclosed below.

The CECL reserve methodology requires companies to measure expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instrument. Under the CECL model, reserves may be established against financial asset balances even if the risk of loss is remote or has not yet manifested itself. The Company records specific reserves against account balances of franchisees deemed at-risk when a potential loss is likely or imminent as a result of prolonged payment delinquency (greater than 90 days past due) and where notable credit deterioration has become evident. For financial assets that are not currently deemed at-risk, an allowance is recorded based on expected loss rates derived pursuant to the Company's CECL methodology that assesses four components - historical losses, current conditions, reasonable and supportable forecasts, and a reversion to history, if applicable.

The Company considers its portfolio segments to be the following:

*Accounts Receivable (Franchise-Related*): Most of the Company’s short-term receivables due from franchisees are derived from royalty, advertising and other franchise-related fees.

*Notes Receivable*: Notes receivable balances primarily relate to the conversion of (1) certain past due franchisee accounts receivable or (2) early franchise termination fees, to notes receivable. These notes are usually not collateralized. A significant portion of these notes have specific reserves recorded against them amounting to $51,103 as of November 30, 2024.

*Accounts Receivables (Vendor Related)*: Receivables due from vendors and distributors consist of royalty receivables related to the sale of certain food products to franchisees through the Company’s network of suppliers and distributors and are included as part of Accounts Receivable.

**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Accounts and Notes Receivable**

Receivable balances by portfolio segment as of November 30, 2024 and November 30, 2023 are as follows:



The Company's internal credit quality indicators for all portfolio segments primarily consider delinquency. Current and collateralized lease receivables have an internal risk rating of Grade I. The Company does not currently have any uncollateralized lease receivables. Past due lease receivables would be assigned an internal risk rating of Grade II-IV, depending on significance of delinquency. For uncollateralized notes receivable, the Company also considers the status of the franchisee note holder and the term of the note. Notes receivable from current franchisees are considered to have an elevated risk of credit loss based on their common origination from past due franchise accounts receivable but have some indication of collectability given ongoing operations (Internal Grade II). Notes receivable due from payers who no longer have an operating franchise are considered to have a high likelihood of credit loss (Internal Grade III). That likelihood increases if the note is outstanding for longer than one year (Internal Grade IV). At November 30, 2024, all notes receivable were due from former franchisees and had an original term over one year.

Changes in the allowance for credit losses during the fiscal year ended November 30, 2024 were as follows:



**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Accounts and Notes Receivable (continued)**

The Company considers a receivable past due 31 days after the payment due date. The delinquency status of receivables (other than accounts receivable) at November 30, 2024 was as follows:



The fiscal year of origination of the Company's gross notes receivable and lease receivables by risk rating are as follows:



**Property, Plant and Equipment**

Property, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are 3 to 7 years for property and equipment and 10 years, or term of lease if less, for leasehold improvements. Maintenance and repairs are charged to expense as incurred. Expenditures that materially extend the useful lives of assets are capitalized.

**Goodwill and Other Intangible Assets**

Accounting Standard Codification (“ASC”) 350 “Goodwill and Other Intangible Assets” requires that assets with indefinite lives no longer be amortized, but instead be subject to annual impairment tests. The Company follows this guidance.

Following the guidelines contained in ASC 350, the Company tests goodwill and intangible assets that are not subject to amortization for impairment annually or more frequently if events or circumstances indicate that impairment is possible. The Company has elected to conduct its annual test during the first quarter. During the quarters ended February 28, 2024 and 2023, management qualitatively assessed goodwill to determine whether testing was necessary. Factors that management considers in this assessment include macroeconomic conditions, industry and market considerations, overall financial performance (both current and projected), changes in management and strategy, and changes in the composition and carrying amounts of net assets. If this qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than it’s carrying value, a quantitative assessment is then performed.

**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Goodwill and Other Intangible Assets (continued)**

Management reviewed and updated the qualitative assessment conducted during the first quarter 2024 at year end and does not believe that any impairment exists at November 30, 2024.

The net book value of goodwill and intangible assets with indefinite and definite lives are as follows:



**Advertising and Promotion Costs**

The Company expenses advertising and promotion costs as incurred. All advertising and promotion costs were related to the Company’s franchise operations. Advertising and promotion expense was $1,900 and $12,000 in 2024 and 2023, respectively.

**Income Taxes**

The Company accounts for income taxes in accordance with FASB Topic 40. Deferred tax assets and liabilities are classified as noncurrent on the balance sheet. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The benefits from net operating losses carried forward may be impaired or limited in certain circumstances.

The Company files a consolidated U.S. income tax return and tax returns in various state jurisdictions. Review of the Company’s possible tax uncertainties as of November 30, 2024 did not result in any positions requiring disclosure. Should the Company need to record interest and/or penalties related to uncertain tax positions or other tax authority assessments, it would classify such expenses as part of the income tax provision. The Company has not changed any of its tax policies or adopted any new tax positions during the fiscal year ended November 30, 2024 and believes it has filed appropriate tax returns in all jurisdictions for which it has nexus.

The Company’s income tax returns, which are filed as a consolidated return, for the years ending November 30, 2021, 2022 and 2023 are subject to examination by the IRS and corresponding states, generally for three years after they are filed.

**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Leases**

The company accounts for leases under ASC 842. Lease arrangements are determined at the inception of the contract. Operating leases are included in operating lease right-of-use (“ROU”) assets, other current liabilities and long-term operating lease liabilities on the consolidated balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most leases do not provide an implicit rate, we use an incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

**Accounting Pronouncements**

In December 2023, the FASB issued ASU 2023-09, “Improvements to Income Tax Disclosures” which is intended to simplify various aspects related to accounting for income taxes. ASU 2023-09 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The amendments in ASU 2023-09 are effective for public business entities for fiscal years beginning after December 15, 2024, including interim periods therein. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have not yet been issued. The Company will adopt ASU 2023-09 for fiscal year ending November 30, 2026.

Management does not believe that there are any recently issued and effective or not yet effective accounting pronouncements as of November 30, 2024 that would have or are expected to have any significant effect on the Company’s financial position, cash flows or income statement.

**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Segments**

Accounting standards have established annual reporting standards for an enterprise’s operating segments and related disclosures about its products, services, geographic areas and major customers. The Company’s operations were a single reportable segment.

**Statement of Cash Flows**

The chart below shows the cash and restricted cash within the consolidated statements of cash flows as of November 30, 2024 and November 30, 2023 were as follows:



**Earnings Per Share**

The Company computes earnings per share (“EPS”) under ASC 260 “Earnings per Share.” Basic net earnings are divided by the weighted average number of common shares outstanding during the year to calculate basic net earnings per common share. Diluted net earnings per common share are calculated to give effect to the potential dilution that could occur if options or other contracts to issue common stock were exercised and resulted in the issuance of additional common shares. There are currently no stock options issued or outstanding.



At November 30, 2024 and 2023, there are no common stock equivalents. In addition, the weighted average shares do not include any effects for potential shares related to the Preferred Shares Rights Agreement.

**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Franchise and related revenue**

The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective location(s), and continuing royalty fees on a weekly basis based upon a percentage of franchisee net sales. The initial term of franchise agreements are typically 10 years.  Subject to the Company’s approval, a franchisee may generally renew the franchise agreement upon its expiration.  If approved, a franchisee may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by the current owner which then terminates that franchise agreement. A franchise agreement is signed with the new franchisee with no franchise fee required. If a contract is terminated prior to its term, it is a breach of contract and a penalty is assessed based on a formula reviewed and approved by management. Revenue generated from a contract breach is termed settlement income by the Company and included in licensing fees and other income.

Under the terms of our franchise agreements, the Company typically promises to provide franchise rights, pre-opening services such as blueprints, operational materials, planning and functional training courses, and ongoing services, such as management of the marketing fund. The Company considers certain pre-opening activities and the franchise rights and related ongoing services to represent two separate performance obligations. The franchise fee revenue has been allocated to the two separate performance obligations using a residual approach. The Company has estimated the value of performance obligations related to certain pre-opening activities deemed to be distinct based on cost plus an applicable margin, and assigned the remaining amount of the initial franchise fee to the franchise rights and ongoing services. Revenue allocated to preopening activities is recognized when (or as) these services are performed. Revenue allocated to franchise rights and ongoing services is deferred until the store opens, and recognized on a straight-line basis over the duration of the agreement, as this ensures that revenue recognition aligns with the customer’s access to the franchise right.

|  |  |
| --- | --- |
|  |  |

Royalty fees from franchised stores represent a 5% fee on net retail and wholesale sales of franchised units. Royalty revenues are recognized on an accrual basis using actual franchise receipts. Generally, franchisees report and remit royalties on a weekly basis. The majority of month-end receipts are recorded on an accrual basis based on actual numbers from reports received from franchisees shortly after the month-end. Estimates are utilized in certain instances where actual numbers have not been received and such estimates are based on the average of the last 10 weeks’ actual reported sales.

Royalty revenue is recognized during the respective franchise agreement based on the royalties earned each period as the underlying franchise store sales occur.

There are two items involving revenue recognition of contracts that require us to make subjective judgments: the determination of which performance obligations are distinct within the context of the overall contract and the estimated stand-alone selling price of each obligation. In instances where our contract includes significant customization or modification services, the customization and modification services are generally combined and recorded as one distinct performance obligation.

**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Gift card breakage revenue**

The Company sells gift cards to its customers in its retail stores and through its Corporate office. The Company’s gift cards do not have an expiration date and are not redeemable for cash except where required by law. Revenue from gift cards is recognized upon redemption in exchange for product and reported within franchisee store revenue and the royalty and marketing fees are paid and shown in the Condensed Consolidated Statements of Income. Until redemption, outstanding customer balances are recorded as a liability. An obligation is recorded at the time of sale of the gift card and it is included in accrued expenses on the Company’s Condensed Consolidated Balance Sheets.

The liability is reduced when the gift cards are redeemed by a franchise. Although there are no expiration dates for our gift cards, based on our analysis of historical gift card redemption patterns, we can reasonably estimate the amount of gift cards for which redemption is remote, which is referred to as “breakage.” The Company recognizes gift card breakage proportional to actual gift card redemptions on a quarterly basis and the corresponding revenue is included in licensing fees and other revenue. Significant judgments and estimates are required in determining the breakage rate and are reassessed each quarter.

**Nontraditional and rebate revenue**

As part of the Company’s franchise agreements, the franchisee purchases products and supplies from designated vendors.  The Company may receive various fees and rebates from the vendors and distributors on product purchases by franchisees.  In addition, the Company may collect various initial fees, and those fees are classified as deferred revenue in the balance sheet and straight lined over the life of the contract as deferred revenue in the balance sheet. The Company does not possess control of the products prior to their transfer to the franchisee and products are delivered to franchisees directly from the vendor or their distributors. The Company recognizes the rebates as franchisees purchase products and supplies from vendors or distributors and recognizes the initial fees over the contract life and the fees are reported as licensing fees and other income in the Condensed Consolidated Statements of Income.

**Marketing Fund**

Franchise agreements require the franchisee to pay continuing marketing fees on a weekly basis, based on a percentage of franchisee sales. Marketing fees are not paid on franchise wholesale sales. The balance sheet includes marketing fund cash, which is the restricted cash, accounts receivable and unexpended marketing fund contributions. Although the marketing fees are not separate performance obligations distinct from the underlying franchise right, the Company acts as the principal as it is primarily responsible for the fulfillment and control of the marketing services. As a result, the Company records marketing fees in revenues and related marketing fund expenditures in expenses in the Condensed Consolidated Statement of Income. The Company historically presented the net activities of the marketing fund within the balance sheet in the Condensed Consolidated Balance Sheet. While this reclassification impacts the gross amount of reported revenue and expenses the amounts will be offsetting, and there is no impact on net income.

**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

**Note 3 - Revenue Recognition**

**Disaggregation of Revenue**

The following table presents disaggregation of revenue from contracts with customers for the year ended November 30, 2024 and 2023:



**Contract balances**

The balance of contract liabilities includes franchise fees, license fees and vendor payments that have ongoing contract rights and the fees are being straight lined over the contract life. Contract liabilities also include marketing fund balances and gift card liability balances.

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**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

**Contract balances (continued)**

Transaction price allocated to remaining performance obligations (franchise agreements and license fee agreement) for the year ended November 30:



The Company has elected to apply certain practical expedients as defined in ASC 606-10-50-14 through 606-10-50-14A, including (i) performance obligations that are a part of a contract that has an original expected duration of one year or less; (ii) the right to invoice practical expedient; and (iii) variable consideration related to unsatisfied performance obligations that is allocated entirely to a wholly unsatisfied promise to transfer a distinct service that forms part of a single performance obligation, and the terms of that variable consideration relate specifically to our efforts to transfer the distinct service, or to a specific outcome from transferring the distinct service. As such, sales-based royalty and marketing income, as well as gift card breakage revenue, is not included in the above transaction price chart.

**Note 4 - Units Open, Licensed and Under Development**

Big Apple Bagels® and My Favorite Muffin® operating units, licensed units and unopened stores for which a Franchise Agreement has been executed, are as follows:



**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

**Note 5 – Income Taxes**

The components of the Company’s provision for income taxes are as follows:



In fiscal 2024 and 2023 the federal and state effective tax rates were within the customary statutory tax rate of federal 21% and a state rate of 7.11%.

A reconciliation of the expected income tax expense to the recorded income tax expense is as follows for the years ended November 30:



**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

**Note 5 – Income Taxes (continued)**

The components of the Company’s deferred tax assets and liabilities for federal and state income taxes consist of the following:



As of November 30, 2024 and 2023 the Company had no unused net operating loss carryforwards.

The Company routinely reviews the future realization of tax assets based on projected future reversals of taxable temporary differences, available tax planning strategies and projected future taxable income.

The Company’s income tax returns, which are filed as a consolidated return for the years ending November 30, 2021, 2022 and 2023 are subject to examination by the IRS and corresponding states, generally for three years after they are filed.

**Note 6 – Stockholders’ Equity**

On December 4, 2024 the Board of Directors declared a $0.03 cash distribution/dividend per share, $0.01 quarterly and $0.02 special, to stockholders of record as of December 23, 2024, paid January 9, 2025.

On September 6, 2024 the Board of Directors (“Board”) declared a $0.01 quarterly cash distribution, payable on October 11, 2024 to stockholders of record as of September 23, 2024. On June 6, 2024 the Board declared a $0.01 quarterly cash distribution, paid on July 12, 2024 to stockholders of record as of June 24, 2024. On March 6, 2024 the Board declared a $0.01 quarterly cash distribution, paid on April 12, 2024 to stockholders of record as of March 21, 2024. On December 11, 2023 the Board declared a $0.02 cash distribution/dividend per share, $0.01 quarterly and $0.01 special to stockholders of record as of December 27, 2023, paid January 16, 2024.

On September 12, 2023 the Board declared a $0.01 distribution/dividend per share to stockholders of record as of September 28, 2023, paid October 18, 2023. On June 6, 2023 the Board declared a $0.01 distribution/dividend per share to stockholders of record as of June 22, 2023, paid on July 11, 2023. On March 13, 2023 the Board declared a $0.01 distribution/dividend per share to stockholders of record as of March 30, 2023, paid on April 19, 2023. On December 07, 2022 the Board declared a $0.02 cash distribution/dividend per share, $0.01 quarterly and $0.01 special, to stockholders of record as of December 22, 2022, paid January 11, 2023.

**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

**Note 6 – Stockholders’ Equity (continued)**

On May 6, 2013, the Board authorized and declared a dividend distribution of one right for each outstanding share of the common stock of the Company to stockholders of record at the close of business on May 13, 2013. Each right entitles the registered holder to purchase from the Company one one-thousandth of a share of the Series A Participating Preferred Stock of the Company at an exercise price of $0.90 per one-thousandth of a Preferred Share, subject to adjustment. The complete terms of the Rights are set forth in a Preferred Shares Rights Agreement, dated May 6, 2013, between the Company and IST Stockholder Services, as rights agent.

The Board adopted the Rights Agreement to protect stockholders from coercive or otherwise unfair takeover tactics. In general terms, it works by imposing a significant penalty upon any person or group, other than exempt person, that acquires 15% (or 20% in the case of certain institutional investors who report their holdings on Schedule 13G) or more of the Common Shares without the approval of the Board. As a result, the overall effect of the Rights Agreement and the issuance of the Rights may be to render more difficult a merger, tender or exchange offer or other business combination involving the Company that is not approved by the Board. However, neither the Rights Agreement nor the Rights should interfere with any merger, tender or exchange offer or other business combination approved by the Board.

Full details about the Rights Plan are contained in a Form 8-K filed by the Company with the U.S. Securities and Exchange Commission on May 7, 2013.

On June 18, 2014 an amendment to the Preferred Shares Rights Agreement was filed appointing American Stock Transfer & Trust Company, LLC as successor to Illinois Stock Transfer Company. All original rights and provisions remain unchanged. On August 18, 2015 an amendment was filed to the Preferred Shares Rights Agreement changing the final expiration date to mean the fifth anniversary of the date of the original agreement. All other original rights and provisions remain the same. On May 22, 2017 an amendment was filed extending the final expiration date to mean the seventh anniversary date of the original agreement. All other original rights and provisions remain the same. On February 22, 2019 an amendment was filed extending the final expiration date to mean the ninth anniversary date of the original agreement. All other original rights and provisions remain the same. On March 4, 2021 an amendment was filed extending the final expiration date to mean the eleventh anniversary date of the original agreement. All other original rights and provisions remain the same. On April 4, 2023 an amendment was filed extending the final expiration date to mean the fourteenth anniversary date of the original agreement. All other original rights and provisions remain the same.

Determination of whether distributions are considered a cash distribution, cash dividend or combination of the two are not made until after December 31, 2024, as the classification or combination is dependent upon the Company’s earnings and profits for tax purposes for its fiscal year ending November 30, 2024.

The Company believes execution of its cash distribution/dividend policy will not have any material adverse effects on its ability to fund current operations or future capital investments.

**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

**Note 7 – Lease Receivables Commitments**

In November 2024, the equipment lease with a franchisee was terminated, and the equipment securing the lease was sold. As a result, the Company recorded a loss of approximately $11,700 on the lease termination after the sale of the equipment.

As of November 30, 2023, the lease was recorded as a lease receivable of $38,306. During fiscal 2024, the Company collected $5,446 in principal payments and $354 in interest income related to the lease.

Proceeds received from the sale of the equipment were $16,700 during the year ended November 30, 2024. Equipment held for sale at year-end of $4,500 is included in Prepaids and other current assets. The equipment was sold subsequent to year-end.

###### Note 8 – Lease Commitments

The Company rents its office under an operating lease which requires it to pay base rent, real estate taxes, insurance and general repairs and maintenance.  The lease effective during the quarter was signed in June of 2018, effective October 1, 2018, expiring on March 31, 2024.  On February 15, 2024, a lease amendment was signed, effective April 1, 2024 for a 6-year period, expiring March 31, 2030, with an option to renew for a 5-year period.  The amendment continues to require the Company to pay base rent, real estate taxes, insurance and general repairs and maintenance.  The amendment includes a ten-month rent abatement over the lease term, specifically defined in the agreement, and tenant allowance in the amount of $158,940. The tenant allowance is to be applied evenly to the 62 months that were not abated. The renewal option has not been included in the measurement of the lease liability.

Monthly rent expense is recognized on a straight-line basis over the term of the lease. Rent expenses for fiscal 2024 and 2023 were $90,996 and $97,100, respectively. At November 30, 2024 the remaining lease term was 64 months. The lease amendment is reflected in the balance of the Lease Liability on the balance sheet at the present value of the lease payments using an 8.50% discount rate. The discount rate was considered to be an estimate of the Company’s incremental borrowing rate.

Gross future minimum annual rental commitments as of November 30, 2024, are as follows:



**BAB, Inc**

**Notes to the Consolidated Financial Statements**

**November 30, 2024 and 2023**

**Note 9– Employee Benefit Plan**

The Company maintains a qualified 401(k) plan which allows participants to make pretax contributions. In fiscal 2015, the Company amended the 401(k) plan, establishing it as a Safe Harbor plan effective January 1, 2015. Employee contributions are matched by the Company in accordance with the Plan up to a maximum of 4% of employee earnings. The Company may also make discretionary contributions to the Plan. In fiscal 2024 and 2023 the Company’s employer match was $41,500 and $38,700, respectively. There were no Company discretionary contributions in 2024 or 2023.

**Note 10 – Contingencies**

We may be subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of such proceedings or claims cannot be predicted with certainty, management does not believe that the outcome of any such proceedings or claims will have a material effect on our financial position. We know of no pending or threatened proceeding or claim to which we are or will be a party.

**Item 9. changes in and disagreements with accountants on accounting and financial disclosure**

In connection with the audits of the Company’s consolidated financial statements for each of the fiscal years ended November 30, 2024 and 2023, and through the date of this Current Report, there were: (1) no disagreements between the Company and Sassetti LLC on any matters of accounting principles or practices, financial statement disclosure or auditing scope or procedures.

**Item 9A. Controls and Procedures**

Disclosure Controls and Procedures

BAB, Inc.’s Chief Executive Officer and Chief Financial Officer have evaluated the Company’s disclosure controls and procedures, as defined in Item 307 of Regulation S-K of the Securities Exchange Act of 1934, as of the end of the period covered by this report, and they have concluded that these controls and procedures were effective (i) to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) to ensure that information required to be disclosed by us in the reports that we submit under the Exchange Act is accumulated and communicated to our management, including our executive and financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

**Management’s Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and the Chief Financial Officer, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our evaluation of internal control over financial reporting includes using the COSO framework, an integrated framework for the evaluation of internal controls issued by the Committee of Sponsoring Organizations of the Treadway Commission, to identify the risks and control objectives related to the evaluation of our control environment.

Based on our evaluation under the framework described above, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company’s internal controls and procedures were effective over financial reporting as of November 30, 2024.

This annual report does not include an attestation report from the Company’s registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation requirements by the Company’s registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permits the Company to provide only management’s report in this annual report.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal controls or in other factors that could materially affect these controls over financial reporting during the last fiscal year. We have not identified any significant deficiencies or material weaknesses in our internal controls, and therefore there were no corrective actions taken.

**Item 9B. OTHER INFORMATION**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors, and persons who beneficially own more than ten percent of the Company's Common Stock, to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission (the "SEC"). Executive officers, directors and greater than ten percent beneficial owners are required by the SEC to furnish the Company with copies of all Section 16(a) forms they file.

Based upon a review of the copies of such forms furnished to the Company, the Company believes that all Section 16(a) filing requirements applicable to its executive officers and directors were met during the year ended November 30, 2024.

BAB, Inc. (the Company) has a formally established Code of Ethics, pursuant to Section 406 of the Sarbanes-Oxley Act. In order to view the Code of Ethics in its entirety, see the BAB, Inc. Annual Report, Part III, Item 9, dated November 30, 2007 and filed with the Securities and Exchange Commission on February 28, 2008.

Identification of Directors

The following two directors are independent directors:

Steven G. Feldmanbecame a director of the Company in May 2003. Mr. Feldman brings 26 plus years of experience in business, sales and marketing as the CEO of Techcare, LLC (1987-2011), an IT managed services firm in Deerfield, IL that was purchased in 2011 by All Covered, a Division of Konica Minolta Solutions, USA, Inc., and four years (2019-2022) as CFO for an IT firm based in California. Mr. Feldman earned his degree in accounting and his CPA at the University of Illinois at Champaign-Urbana.

James A. Lentz became a director of the Company in May 2004. From 1971 until 2000, Mr. Lentz was a business professor for Moraine Valley Community College (MVCC). During his tenure at MVCC, Mr. Lentz taught a variety of business related classes, including accounting, finance and marketing. In addition, Mr. Lentz has 10 years of experience in the food industry, including holding the position of Director of Franchise Training for BAB Systems, Inc. from 1992 through 1996. Mr. Lentz received both his undergraduate degree and a Masters in Business Administration from Northern Illinois University.

Executive Officers and Directors

Michael W. Evans has served as Chief Executive Officer, President and Director of the Company since its inception. Mr. Evans, as C.E.O and President, oversees all aspects of BAB, Inc.

Michael K. Murtaugh has served as Vice President and General Counsel and Director of the Company since its inception. Mr. Murtaugh is responsible for dealing directly with state franchise regulatory officials, for the negotiation and enforcement of franchise and area development agreements and for negotiations of acquisition and other business arrangements. Before joining the Company, Mr. Murtaugh was a partner with the law firm of Baker & McKenzie, where he practiced law from 1971 to 1993.

Executive Officer

Geraldine Conn joined the Company as Controller in 2001. In 2014 she became the Chief Financial Officer and Treasurer upon the resignation of the prior Chief Financial Officer. She is responsible for accounting, financial reporting, risk management and human resource administration. Ms. Conn has over 25 years of accounting and finance experience in a management role. Ms. Conn received her CPA in 1986 and a Masters in Business Administration in 1990 from DePaul University.

Directors and Executive Officers

The following tables set forth certain information with respect to each of the Directors and Executive Officers of the Company and certain key management personnel.

|  |  |  |
| --- | --- | --- |
| Directors and Executive Officers | Age | Position Held with Company |
| Michael W. Evans | 68 | Chief Executive Officer, President and Director |
| Michael K. Murtaugh | 80 | Vice President, General Counsel, Secretary and Director |
| Geraldine Conn | 73 | Chief Financial Officer and Treasurer |
| Steven G. Feldman | 68 | Director |
| James A. Lentz | 77 | Director |

Audit Committee

The Audit Committee consists of two members, who are both independent directors and both have been deemed to be financial experts as defined in Regulation S-K, Item 407.  The function of the Audit Committee is to interact with the independent registered public accounting firm of the Company and to recommend to the Board of Directors the appointment of the independent registered public accounting firm.

The current Audit Committee consists of Steven G. Feldman and James A. Lentz. The two independent directors comply with the definition of "independent directors" as required by current law and regulations. The Audit Committee has adopted a written Audit Charter. See Appendix I in the Proxy, Form14A filed on April 19, 2006 for the Charter in its entirety.

Insider Trading Policy

BAB, Inc. maintains a strict Insider Trading Policy to prevent directors, executive officers, employees, and others who have access to material non-public information from using that information for personal gain or disclosing it to others who may use it to trade in the Company’s securities or the securities of other companies.

The policy is in compliance with applicable securities laws and regulations, and aims to ensure that all individuals involved with the Company act responsibly and transparently. Under this policy:

Material Non-Public Information (“MNPI”) refers to any information that could reasonably be expected to influence an investor’s decision to buy or sell securities. Examples include financial performance, significant corporate developments, or regulatory matters.

Pre-Clearance Requirement: Directors, executive officers, and certain employees must obtain prior approval from the Legal or Compliance Department before trading in BAB, Inc.'s securities, especially during "blackout periods" or when in possession of MNPI.

Trading Windows: BAB, Inc. designates specific windows for trading in Company securities, typically following the release of financial results. Trading outside these periods is restricted unless explicitly approved.

Confidentiality: All directors, officers, and employees are required to protect the confidentiality of any material non-public information and refrain from tipping others.

Training: Directors, executive officers, and employees are periodically educated on insider trading laws and the Company's policies to ensure full understanding and compliance.

Enforcement: Any violations of the policy may result in disciplinary action, including termination, as well as potential civil or criminal penalties.

Availability of Full Policy

This summary discussion of the Company’s Insider Trading Policy is subject to the express terms and conditions of the Insider Trading Policy, a copy of which is contained in and made a part of this Report as Exhibit 19.  A copy shall be available on the Company’s website or by request from Investor Relations.

**ITEM 11. EXECUTIVE COMPENSATION**

The following table sets forth the cash compensation by executive officers that received annual salary and bonus compensation of more than $100,000 during years 2024 and 2023 (the "Named Executive Officers"). The Company has no employment agreements with any of its executive officers.

**Summary Compensation Table**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Name and Principal  Position | Year | Salary  ($) | Bonus  ($) | Stock  Awards  ($) | Options Awards ($) | Nonequity  Incentive Plan  Compensation  (S) | Non-qualified  deferred  Compensation  earnings  (S) | All other  compensation  ($)  (1) | Total  ($) |
| Michael W. Evans  President and CEO | 2024 | 222,688 | 30,000 | - | - | - | **-** | 10,108 | 262,796 |
| 2023 | 216,202 | 23,400 | - | - | - | **-** | 9,584 | 249,186 |
|  |  |  |  |  |  |  |  |  |  |
| Michael K. Murtaugh  Vice President and General Counsel | 2024 | 160,327 | 20,000 | - | - | - | **-** | 5,861 | 186,188 |
| 2023 | 155,657 | 15,600 | - | - | - | **-** | 5,994 | 177,251 |
|  |  |  |  |  |  |  |  |  |  |
| Geraldine Conn  Chief Financial Officer | 2024 | 124,468 | 13,000 | - | - | - | **-** | 5,499 | 142,966 |
| 2023 | 119,832 | 18,000 | - | - | - | **-** | 5,513 | 143,345 |

In fiscal 2024 and fiscal 2023 bonuses were earned and a portion was paid and a portion was waived by Mr. Evans and Mr. Murtaugh. Bonuses for Executive Officers that are Directors are determined using measurable financial criteria approved by the Compensation Committee including, but not limited to, company profitability levels and performance in system-wide same store sales. A bonus for the Chief Financial Officer is at the discretion of the Chief Executive Officer. All other compensation includes the Company 401(k) matching funds.

1. 401(k) matching funds:

2024 M. Evans $10,108; M. Murtaugh $5,861; G. Conn $5,499

2023 M. Evans $9,584; M. Murtaugh $5,994; G. Conn $5,513

The following tables set forth any stock or stock options awarded to executive officers that that are exercisable and not yet exercised or unexercisable as of November 30, 2024:

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Name | Number of  securities underlying unexercised options  (#)  Exercisable | Number of  securities underlying unexercised options  (#)  Unexercisable | Equity incentive plan awards: number of securities underlying unexercised unearned options  (#) | Option  exercise  price  ($) | Option expiration date |
| Michael W. Evans  President and CEO | **-** | **-** | **-** | **-** |  |
| **-** | **-** | **-** | **-** |  |
|  |  |  |  |  |  |
| Michael K. Murtaugh  Vice President and General Counsel | **-** | **-** | **-** | **-** |  |
| **-** | **-** | **-** | **-** |  |
|  |  |  |  |  |  |

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name | Number of shares or units of stock that have not vested  (#) | Market value of shares or units of stock that have not vested  ($) | Equity incentive plan awards: number of unearned shares, units or other rights that have not vested  (#) | Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested  ($) |
| Michael W. Evans  President and CEO | - | - | - | **-** |
| - | - | - | **-** |
|  |  |  |  |  |
| Michael K. Murtaugh  Vice President and General Counsel | - | - | - | **-** |
| - | - | - | **-** |
|  |  |  |  |  |

**Clawback Provision**

As part of BAB, Inc.’s commitment to maintain high standards of corporate governance and accountability, BAB, Inc. has implemented a Clawback Policy related to executive compensation. This policy is designed to allow the Company to recover certain incentive-based compensation in the event of a material financial restatement or in instances of executive misconduct.

Clawback Policy Overview

Under our Clawback Policy, the Company has the right to recover any bonus, incentive, or equity-based compensation awarded to any executive officer (including the Chief Executive Officer and Chief Financial Officer) if:

**Restatement of Financials**: The Company is required to restate its financial statements due to material noncompliance with any financial reporting requirements, and the executive’s compensation was based on the erroneous financial results.

**Misconduct**: The executive engages in misconduct that leads to the restatement of financial results, fraud, or other actions that harm the Company or its stockholders.

The Audit Committee will assess whether a financial restatement or misconduct warrants a clawback of compensation on a case-by-case basis, in accordance with the applicable laws and regulations, including the requirements under the Sarbanes-Oxley Act and Dodd-Frank Wall Street Reform and Consumer Protection Act.

Conditions for Clawback

In the event of a restatement, the Company will seek to recover the excess amount of compensation paid to the executive in the period leading up to the restatement. The excess compensation is defined as the amount by which the previously awarded compensation exceeds what would have been awarded had the financial statements been correct.

For misconduct-related clawbacks, the Company may pursue recovery of compensation in situations where it is determined that an executive’s actions were directly responsible for or contributed to the financial or reputational harm to the Company.

Enforcement

The Audit Committee is responsible for overseeing the enforcement of this Clawback Policy. In the event that a clawback is pursued, the Committee will make a determination based on the facts and circumstances, with input from legal counsel and other advisors as necessary. The Company will be instructed by the Audit Committee to take appropriate actions to recover the amounts due, including legal action if required.

Impact on Incentive Compensation

The Clawback Policy applies to all incentive compensation, including but not limited to annual cash bonuses, stock options, restricted stock, and performance-based compensation.

While the Company has not had to exercise the clawback provisions to date, it remains a critical component of the Company’s overall governance framework to ensure alignment between executive compensation and long-term stockholder value.

The Company’s Clawback Policy is described in detail in Exhibit 97 of this Form 10-K.  A copy shall be available on the Company’s website or by request from Investor Relations.

The following table sets forth any compensation paid to directors during fiscal year ended November 30, 2024:

**DIRECTOR COMPENSATION**

**Compensation for fiscal year ended November 30, 2024**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Name | Fees earned or paid in cash  ($) | Stock awards  ($) | Option awards  ($) | Non-equity incentive plan compensation  ($) | Non-qualifies deferred compensation earnings  ($) | All other compensation  ($) | Total  ($) |
| Steven Feldman | 3,900 | - | - | - | - | - | 3,900 |
|  |  |  |  |  |  |  |  |
| James Lentz | 3,500 | - | - | - | - | - | 3,500 |

Indemnification of Directors and Officers

The Company's Certificate of Incorporation limits personal liability for breach of fiduciary duty by its directors to the fullest extent permitted by the Delaware General Corporation Law (the "Delaware Law"). Such Certificate eliminates the personal liability of directors to the Company and its stockholders for damages occasioned by breach of fiduciary duty, except for liability based on breach of the director's duty of loyalty to the Company, liability for acts or omissions not made in good faith, liability for acts or omissions involving intentional misconduct, liability based on payments or improper dividends, liability based on violation of state securities laws, and liability for acts occurring prior to the date such provision was added. Any amendment to or repeal of such provisions in the Company's Certificate of Incorporation shall not adversely affect any right or protection of a director of the Company for with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

In addition to the Delaware Law, the Company's Bylaws provide that officers and directors of the Company have the right to indemnification from the Company for liability arising out of certain actions to the fullest extent permissible by law. Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers or persons controlling the Company pursuant to such indemnification provisions, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth as of February 26, 2025 the record and beneficial ownership of Common Stock held by (i) each person who is known to the Company to be the beneficial owner of more than 5% of the Common Stock of the Company; (ii) each current director; (iii) each "named executive officer" (as defined in Regulation S-B, Item 402 under the Securities Act of 1933); and (iv) all executive officers and directors of the Company as a group. Securities reported as "beneficially owned" include those for which the named persons may exercise voting power or investment power, alone or with others. Voting power and investment power are not shared with others unless so stated. The number and percent of shares of Common Stock of the Company beneficially owned by each such person as of February 27, 2025 includes the number of shares which such person has the right to acquire within sixty (60) days after such date.

|  |  |  |  |
| --- | --- | --- | --- |
| Name and Address |  | Shares | Percentage |
| Michael W. Evans  500 Lake Cook Road, Suite 475  Deerfield, IL 60015 |  | 1,432,468 (1) | 19.72 |
|  | | | |
| Michael K. Murtaugh  500 Lake Cook Road, Suite 475  Deerfield, IL 60015 |  | 968,054 | 13.33 |
|  | | | |
| Geraldine Conn  500 Lake Cook Road, Suite 475  Deerfield, IL 60015 |  | 20,300 | .28 |
|  | | | |
| Steven G. Feldman  500 Lake Cook Road, Suite 475  Deerfield, IL 60015 |  | 10,000 | .14 |
|  | | | |
| James A. Lentz  1415 College Lane South  Wheaton, IL 60189 |  | 14,932 | .21 |
|  |  |  |  |
| Camelot Event-Driven Fund  Frank Funds  781 Crandon Blvd, Unit 602  Key Biscayne, FL 33149  **1** |  | 479,411 | 6.6 |
|  |  |  |  |
| Executive officers and directors as a group (5 persons) |  | 2,445,754 (1) | 33.67 |

(1) Includes 3,500 shares inherited by spouse.

**.**

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

There are no transactions between the Company and related parties, including officers and directors of the Company. It is the Company's policy that it will not enter into any transactions with officers, directors or beneficial owners of more than 5% of the Company's Common Stock, or any entity controlled by or under common control with any such person, on terms less favorable to the Company than could be obtained from unaffiliated third parties and all such transactions require the consent of the majority of disinterested members of the Board of Directors.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The Board of Directors upon recommendation of the Audit Committee, appointed the firm Sassetti LLC, certified public accountants, for 2024 audit and tax services.

The audit reports of Sassetti LLC on the consolidated financial statements of BAB, Inc. and Subsidiaries as of and for the years ended November 30, 2024 and 2023 did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope or accounting principles.

Audit fees relate to audit work performed on the financial statements as well as work that generally only the independent auditor can reasonably be expected to provide, including discussions surrounding the proper application of financial accounting and/or reporting standards and reviews of the financial statements included in quarterly reports filed on Form 10-Q.  Fees for audit services provided by Sassetti LLC were $64,200 and $60,000 for fiscal 2024 and 2023, respectively.

Tax compliance services provided by Sassetti LLC were $11,550 and $11,000 for fiscal 2024 and 2023, respectively.

During the years ended November 30, 2024 and 2023, Sassetti LLC did not perform any other services for the Company.

Preapproval of Policies and Procedures by Audit Committee

The accountants provide a quote for services to the Audit Committee before work begins for the fiscal year.  After discussion, the Audit Committee then makes a recommendation to the Board of Directors on whether to accept the proposal.

Percentage of Services Approved by Audit Committee

All services were approved by the Audit Committee.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) Documents filed as part of this report:

1. Financial Statements

Consolidated Balance Sheets as at November 30, 2024 and 2023 and the Consolidated Statements of Income, Stockholders’ Equity and Cash Flows for the years ended November 30, 2024 and 2023 are reported on by Sassetti LLC.  These statements are prepared in accordance with United States GAAP.

1. Financial Statement Schedules - none

.

(b) I**NDEX TO EXHIBITS**

The following Exhibits are filed herewith or incorporated by reference:

|  |  |
| --- | --- |
| INDEX NUMBER | DESCRIPTION |
| 3.1 | Articles of Incorporation (See Form 10-KSB for year ended November 30, 2006 filed February 28, 2007) |
| 3.2 | Bylaws of the Company (See Form 10-KSB for year ended November 30, 2006 filed February 28, 2007) |
| 4.1 | Preferred Shares Rights Agreement (See Form 8-K filed May 7, 2013) |
| 4.2 | Preferred Shares Rights Agreement Amendment No. 1 (See Form 8-K filed June 18, 2014) |
| 4.3 | Preferred Shares Rights Agreement Amendment No. 2 (See Form 8-K filed August 18, 2015) |
| 4.4 | Preferred Shares Rights Agreement Amendment No. 3 (See Form 8-K filed May 22, 2017) |
| 4.5 | Preferred Shares Rights Agreement Amendment No. 4 (See Form 8-K filed February 22, 2019) |
| 4.6 | Preferred Shares Rights Agreement Amendment No. 5 (See Form 8-K filed March 8, 2021) |
| 19 | Insider Trading Policy Exhibit 19, attached |
| 21.1 | List of Subsidiaries of the Company |
| 31.1, 31.2 | Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1, 32.2 | Section 906 of the Sarbanes-Oxley Act of 2002 |
| 97 | Clawback policy Exhibit 97, attached |
| 101.INS\* | XBRL Instance |
| 101.SCH\* | XBRL Taxonomy Extension Schema |
| 101.CAL\* | XBRL Taxonomy Extension Calculation |
| 101.DEF\* | XBRL Taxonomy Extension Definition |
| 101.LAB\* | XBRL Taxonomy Extension Labels |
| 101.PRE\* | XBRL Taxonomy Extension Presentation |
|  |  |
| \*XBRL | Information is furnished and not filed or a part of a registration statement or prospectus |
|  | For purpose of sections 110 or 12 of the Securities Act of 1933, as amended is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections. |
|  |  |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

|  |
| --- |
| BAB, INC. |
| By /s/ Michael W. Evans |
| Michael W. Evans, Director, Chief Executive Officer and President (Principal Executive Officer) |

Dated: February 26, 2025

Pursuant to the requirements of the Securities Exchange Act of 1934, this report on Form 10-K has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

|  |
| --- |
| Dated: February 26, 2025 |
| By /s/ Michael W. Evans |
| Michael W. Evans, Director, Chief Executive Officer and President (Principal Executive Officer) |
|  |
| Dated: February 26, 2025 |
| By /s/ Michael K. Murtaugh |
| Michael K. Murtaugh, Director and Vice President/General Counsel and Secretary |

|  |
| --- |
| Dated: February 26, 2025 |
| By /s/ Geraldine Conn |
| Geraldine Conn, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer) |
| Dated: February 26, 2025 |
| By /s/ Steven G. Feldman |
| Steven G. Feldman, Director |
| Dated: February 26, 2025 |
| By /s/ James A. Lentz |
| James A. Lentz, Director |

**Exhibit 19**

**BAB, INC.**

1. PROCEDURES AND GUIDELINES GOVERNING INSIDER TRADING AND TIPPING

* 1. Purpose

In order to comply with federal and state securities laws governing (a) trading in Company securities while in the possession of "material nonpublic information" concerning the Company, and (b) tipping or disclosing material nonpublic information to outsiders, and in order to prevent even the appearance of improper insider trading or tipping, the Company has adopted this policy for all of its directors, officers and employees, their family members, and specially designated outsiders who have access to the Company's material nonpublic information.

* 1. Scope
     1. This policy covers all directors, officers and employees of the Company, their family members

(collectively referred to as "Insiders"), and any outsiders whom the Insider Trading Compliance Officer may designate as Insiders because they have access to material nonpublic information concerning the Company.

* + 1. The policy applies to any and all transactions in the Company's securities, including its common stock and options to purchase common stock, and any other type of securities that the Company may issue, such as preferred stock, convertible debentures, warrants and exchange-traded options or other

derivative securities.

* + 1. The policy will be delivered to all directors, officers, employees and designated outsiders upon its adoption by the Company, and to all new directors, officers, employees and designated outsiders at the start of their employment or relationship with the Company. Upon first receiving a copy of the policy or any revised versions, each Insider must sign an acknowledgment that he or she has received a copy and agrees to comply with the policy's terms. Section 16 Individuals and Key Employees, as defined below, may be required to certify compliance with the policy on an annual basis.

1. SECTION 16 INDIVIDUALS AND KEY EMPLOYEES

* 1. Section I6 Individuals

The Company has designated those persons listed on Exhibit A attached hereto as the directors and officers who are subject to the reporting provisions and trading restrictions of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the underlying rules and regulations promulgated by the SEC. Section 16 Individuals must obtain prior approval of all trades in Company securities from the Insider Trading Compliance Committee in accordance with the procedures set forth in Section XI.C below. The Company will amend Exhibit A from time to time as necessary to reflect the addition, resignation or departure of Section 16 Individuals.

* 1. Key Employees

The Company has designated those persons listed on Exhibit B attached hereto as Key Employees who, because of their position with the Company and their access to material nonpublic information, must obtain the prior approval of all trades in Company securities from the Insider Trading Compliance Committee in accordance with the procedures set forth in Section XI.C below. The Company will amend Exhibit B from time to time as necessary to reflect the addition, resignation or departure of Key Employees.

1. INSIDER TRADING COMPLIANCE OFFICER AND COMPLIANCE COMMITTEE

The Company has designated its Chief Financial Officer as its Insider Trading Compliance Officer (the "Compliance Officer"). The Insider Trading Compliance Committee (the "Compliance Committee") will consist of the Compliance Officer and Company's Legal Counsel, Rieck and Crotty, P.C. The Compliance Committee will review and either approve or prohibit all proposed trades by Section 16 Individuals and Key Employees in accordance with the procedures set forth in Section XI.C below.

In addition to the trading approval duties described in Section XI.C below, the duties of the Compliance Officer will include the following:

* + - 1. Administering this policy and monitoring and enforcing compliance with all policy provisions and procedures.

* + - 1. Responding to all inquiries relating to this policy and its procedures.
      2. Designating and announcing special trading blackout periods during which no Insiders may trade in Company securities.
      3. Providing copies of this policy and other appropriate materials to all current and new directors, officers and employees, and such other persons who the Compliance Officer determines have access to material nonpublic information concerning the Company.
      4. Administering, monitoring and enforcing compliance with all federal and state insider trading laws and regulations, including without limitation Sections l0(b), 16, 20A and 21A of the Exchange Act and the rules and regulations promulgated thereunder, and Rule 144 under the Securities Act of 1933 (the "Securities Act"); and assisting in the preparation and filing of all required SEC reports relating to insider trading in Company securities, including without limitation Forms 3, 4, *5* and 144 and Schedules 13D and 13G.
      5. Revising the policy as necessary to reflect changes in federal or state insider trading laws and regulations. Maintaining as Company records originals or copies of all documents required by the provisions of this policy or the procedures set forth herein, and copies of all required SEC reports relating to insider trading, including without limitation Forms 3, 4, *5* and 144 and Schedules 13D and 13G.
      6. Maintaining the accuracy of the list of Section 16 Individuals and Key Employees as attached on Exhibits A and B, and updating them periodically

as necessary to reflect additions to or deletions from each category of individuals.

The Compliance Officer may designate one or more individuals who may perform the Compliance Officer’s duties or the duties of any other member of the Compliance Committee in the event that the Compliance Officer or other Committee member is unable or unavailable to perform such duties.

1. DEFINITION OF "MATERIAL NONPUBLIC INFORMATION"

* 1. "Material" Information”

Information about the Company is "material" if it would be expected to affect the investment or voting decisions of the reasonable shareholder or investor, or if the disclosure of the information would be expected to significantly alter the total mix of the information in the marketplace about the Company. In simple terms, material information is any type of information which could reasonably be expected to affect the price of Company securities. While it is not possible to identify all information that would be deemed "material," the following types of information ordinarily would be considered material:

Financial performance and significant changes in financial performance or liquidity. Company projections and strategic plans.

Potential mergers and acquisitions or sale of company assets or subsidiaries.

New major contracts, orders, suppliers or customers, or finance sources, or the loss thereof.

Major discoveries or significant changes or developments in products or product lines, pricing, research or technologies.

Significant changes or developments in supplies or inventory, including significant product defects, recalls or product returns.

Stock splits, public or private securities/debt offerings, or changes in Company dividend policies or amounts.

Significant changes in senior management, or significant labor disputes or negotiations.

Actual or threatened major litigation, or the resolution of such litigation.

1. "Nonpublic" Information:

Material information is "nonpublic" if it has not been widely disseminated to the public through major news wire services, national news services and financial news services. For the purposes of this policy, information will be considered public, i.e., no longer nonpublic", after the close of trading on the second final trading day following the Company's widespread public release of the information.

1. Consult the Compliance Officer for Guidance

Any Insiders who are unsure whether the information that they possess is material or nonpublic must consult the Compliance Officer for guidance before trading in any Company securities.

V. STATEMENT OF COMPANY POLICY AND PROCEDURES

1. Prohibited Activities

* 1. No Insider may trade in Company securities while possessing material nonpublic information concerning the Company.
  2. No Insider may trade in Company securities outside of the applicable "trading windows"

described in Section XI.C below, or during any special trading blackout periods designated by

the Compliance Officer.

* 1. No Section 16 Individual or Key Employee listed on Exhibits A and B attached hereto may trade in Company securities unless the trade(s) have been approved by the Compliance Committee in accordance with the procedures set forth in Section XI.C below. Section 16 Individuals and Key Employees who wish to sell Company securities in order to liquidate their profits are strongly encouraged to sell their securities pursuant to a predetermined written plan adopted prior to each fiscal or calendar year, which is approved by the Compliance Committee, specifies the dates and amounts of securities to be sold, and cannot be modified during the year. To the extent possible, Section 16 Individuals and Key Employees should retain all records and documents that support their reasons for making each trade.

* 1. The Compliance Officer may not trade in Company securities unless the trade(s) have been approved by the other member of the Compliance Committee and the President in accordance with the procedures set forth in Section XI.C below.

* 1. No Insider may "tip” or disclose material nonpublic information concerning the Company to any outside person (including family members, analysts, individual investors, and members of the investment community and news media), unless required as part of that Insider's regular duties for the Company and authorized by the Compliance Officer and/or the Investor Relations Committee. In any instance in which such information is disclosed to outsiders, the Company will take such steps as are necessary to preserve the confidentiality of the information, including requiring the outsider to agree in writing to comply with the terms of this policy and/or to sign a confidentiality agreement. All inquiries from outsiders regarding material nonpublic information about the Company must be forwarded to the Compliance Officer and/or the Investor Relations Committee.

* 1. No Insider may give trading advice of any kind about the Company to anyone while possessing material nonpublic information about the Company, except that Insiders should advise others not to trade if doing so might violate the law or this policy. The Company strongly discourages all Insiders from giving trading advice concerning the Company to third payees even when the Insiders do not possess material nonpublic information about the Company.

* 1. No Insider may trade in any interest or position relating to the future price of Company securities, such as a put, call or short sale.
  2. No Insider may (a) trade in the securities of any other public company while possessing material nonpublic information concerning that company, (b) "tip" or disclose material nonpublicinformation concerning any other public company to anyone, or (c) give trading advice of any kind to anyone concerning any other public company while possessing material nonpublic information about that company.

1. Trading Windows and Blackout Periods

* 1. Trading Window for Section 16 Individuals and Key Employees. After obtaining trading approval from the Compliance Committee in accordance with the procedures set forth in Section V(C) below, Section 16 individuals and Key Employees listed on Exhibits A and B attached hereto may trade in Company securities only during the period beginning at the close of trading on the second full trading day following the Company's widespread public release of quarterly or year-end earnings, and ending at the close of trading on the fifteenth day of the second month of the fiscal quarter in which the earnings are released.
  2. Trading Windows for All Other Insiders. All other Insiders who are not Section 16 Individuals or Key Employees may trade in Company securities only during the period beginning at the close of trading on the second full trading day following the Company's widespread public release of quarterly or year-end earnings and ending at the close of trading on the last day of the second month of the fiscal quarter in which the earnings are released.
  3. No Trading During Trading Windows While in the Possession of Material Nonpublic Information. No Insiders possessing material nonpublic information concerning the Company may trade in Company securities even during applicable trading windows. Persons possessing such information may trade during a trading window only after the close of trading on the second full trading day following the Company's widespread public release of the information.
  4. No Trading During Blackout Periods. No Insiders may trade in Company securities outside of the applicable trading windows or during any special blackout periods that the Compliance Officer may designate. No Insiders may disclose to any outside third party that a special blackout period has been designated.
  5. Exceptions for Hardship Cases. The Compliance Officer may, on a case-by-case basis, authorize trading in Company securities outside of the applicable trading windows (but \_not during special blackout periods) due to financial hardship or other hardships, but only in accordance with the procedures set forth in Section VI.C.2 below.

Procedures for Approving Trades by Section 16 Individuals, Key Employees and Hardship Cases

* 1. Section 16 Individual/Key Employee Trades. No Section 16 Individual or Key Employee may trade in Company securities until:
     1. the person trading has notified the Compliance Officer in writing of the amount and nature of the proposed trade(s);

* + 1. The person trading has certified to the Compliance Officer in writing no earlier than two business days prior to the proposed trade(s) that (i) he or she is not in possession of material nonpublic information concerning the Company and (ii) the proposed Wade(s) do not violate the trading restrictions of Section 16 of the Exchange Act or Rule 144 of the Securities Act; and

* + 1. the Compliance Committee has approved the trade(s), and the Compliance Officer has certified the Committee's approval in writing.

* 1. Hardship Trades. The Compliance Officer may, on a case-by-case basis, authorize trading in Company securities outside of the applicable trading windows due to financial hardship or other hardships only after:

* + 1. the person trading has notified the Compliance Officer in writing of the circumstances of the hardship and the amount and nature of the proposed trade(s);

* + 1. the person trading has certified to the Compliance Officer in writing no earlier than two business days prior to the proposed trade(s) that he or she is not in possession of material nonpublic information concerning the Company; and

* + 1. the Compliance Committee has approved the trade(s) and the Compliance Officer has certified the Committee’s approval in writing. Only the Compliance Officers approval is necessary for hardship trades by Insiders who are not Section 16 Individuals or Key Employees.

* 1. No Obligation to Approve Trades. The existence of the foregoing approval procedures does not in any way obligate the Compliance Officer or Compliance Committee to approve any trades requested by Section 16 Individuals, Key Employees or hardship applicants. The Compliance Officer or Compliance Committee may reject any trading requests at their sole reasonable discretion**.**

1. Employee Benefit Plans

* 1. Employee Stock Purchase Plans. The trading prohibitions and restrictions set forth in this policy do Not apply to periodic contributions by the Company or employees to employee benefit plans (e.g., pension or 401K plans) which are used to purchase Company securities pursuant to the employees' advance instructions. However, no officers or employees may alter their instructionsregarding the purchase or sale of Company securities in such plans while in the possession of material nonpublic information.

* 1. Stock Option Plans. The trading prohibitions and restrictions of this policy apply to all sales of securities acquired through the exercise of stock options granted by the Company, but not to the acquisition of securities through such exercises.

1. PRIORITY OF STATUTORY OR REGULATORY TRADING RESTRICTIONS

The trading prohibitions and restrictions set forth in this policy will be superseded by any greater prohibitions or restrictions prescribed by federal or state securities laws and regulations, e.g. short-swing trading by Section 16 Individuals or restrictions on the sale of securities subject to Rule 144 under the Securities Act of 1933. Any Insider who is uncertain whether other prohibitions or restrictions apply should ask the Compliance Officer.

1. POTENTIAL CIVIL, CRIMINAL AND DISCIPLINARY SANCTIONS

A. Civil and Criminal Penalties

The consequences of prohibited insider trading or tipping can be severe. Persons violating insider trading or tipping rules may be required to disgorge the profit made or the loss avoided by the trading pay the loss suffered by the person who purchased securities from or sold securities to the insider tippee, pay civil penalties up to three times the profit made or loss avoided, pay a criminal penalty of up to$ I million, and serve all term of up to ten years. The Company and/or the supervisors of the person violating the rules may also be required to pay major civil or criminal penalties. B. Company Discipline

Violation of this policy or federal or state insider trading or tipping laws by any director, officer or employee, or their family members, may subject the director to dismissal and the officer or employee to disciplinary action by the Company up to and including termination for cause. C. Reporting of Violations

Any Insider who violates this policy or any federal or state laws governing insider trading or tipping, or knows of any such violation by any other Insiders, must report the violation immediately to the Compliance Officer. Upon learning of any such violation, the Compliance Officer, in consultation with the other Compliance Committee member and the Company's Legal Counsel, will determine whether the Company should release any material nonpublic information, or whether the Company should report the violation to the SEC or other appropriate governmental authority.

1. INQUIRIES

Please direct all inquiries regarding any of the provisions or procedures of this policy to the Compliance Officer.

RECEIPT AND ACKNOWLEDGMENT

The undersigned hereby acknowledges that I have received and read a copy of the "Procedures and Guidelines Covering Insider Trading and Tipping" and agree to comply with its terms. I understand that violation of insider trading or tipping laws or regulations may subject me to severe civil and/or criminal penalties, and that violation of the terms of the above-titled policy may subject me to discipline by the Company up to and including termination for cause.

Signature Date

EXHIBIT A

Section 16 Individuals:

Michael Evans, C.E.O. and President Michael Murtaugh, Vice-President Geraldine Conn, C.F.O.

Steven Feldman, Director

James Lentz, Director

EXHIBIT B

Key Employees:

Brian Evans, Director of Franchise Operations

Kenneth Liczwek, Accountant

Christina Van Dine, Staff Accountant

Leslie Walters, Director of Marketing

APPLICATION AND APPROVAL FOR TRADING BY SECTION 16 INDIVIDUALS AND KEY EMPLOYEES

Name:·

Title:

Proposed Trade Date:

Type of Security to be Traded:

Type of Trade (Purchase/Sale):

Number of Shares to be Traded:

CERTIFICATION

The undersigned hereby certifies that I am not in possession of any "material nonpublic information" concerning the Company

(as defined in the Company's "Procedures and Governing Insider Trading aud Tipping") and (ii) to the best of my knowledge, the proposed trade(s) listed above do not violate the trading restrictions of Section 16 of the Securities Exchange Act of 1934 or Rule 144 under the Securities Act of 1933. I understand that if! trade while possessing such information or in violation of such trading restrictions, I may be subject to severe civil and/or criminal penalties, and may be subject to discipline by the Company up to and including termination for cause.

**Signature: \_**

**Date:**

REVIEW AND DECISION

The undersigned hereby certifies that the Insider Trading Compliance Committee has reviewed the foregoing application and APPROVES PROHIBITS the proposed trade(s).

Insider Trading Compliance Officer (or Designee):

Signature:

Date:

EXHIBIT 21.1 – List of Subsidiaries of the Company

BAB Systems, Inc., an Illinois corporation

BAB Operations, Inc., an Illinois corporation

BAB Investments, Inc., an Illinois corporation

Exhibit 31.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14 (a) OR RULE 15d-14 (a) OF THE SECURITIES EXCHANGE ACT OF 1934.**

I, Michael W. Evans, certify that:

1. I have reviewed this annual report on Form 10-K of BAB, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a -15(e) and 15d -15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d -15(f)) for the registrant and have:
   1. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   2. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   3. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   4. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   1. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   2. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 26, 2025 By /s/ Michael W. Evans

Michael W. Evans, Chief Executive Officer

Exhibit 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14 (a) OR RULE 15d-14 (a) OF THE SECURITIES EXCHANGE ACT OF 1934.**

I, Geraldine Conn, certify that:

1. I have reviewed this annual report on Form 10-K of BAB, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a -15(e) and 15d -15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d -15(f)) for the registrant and have:
   1. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   2. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   3. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   4. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   1. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   2. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 26, 2025 By: /s/ Geraldine Conn

Geraldine Conn, Chief Financial Officer

Exhibit 32.1

BAB, Inc.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the BAB, Inc. (the "Company") Annual Report on Form 10-K for the period ended November 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael W. Evans, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition, results of operations, and cash flows of the Company.

Date:  February 26, 2025                                                       By:      /s/ Michael W. Evans

  Michael W. Evans, Chief Executive Officer

Exhibit 32.2

BAB, Inc.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the BAB, Inc. (the "Company") Annual Report on Form 10-K for the period ended November 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Geraldine Conn, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition, results of operations, and cash flows of the Company.

Date:  February 26, 2025                                                      By:      /s/ Geraldine Conn

Geraldine Conn, Chief Financial Officer

**Exhibit 97 CLAWBACK POLICY**

**Purpose**  
The purpose of this policy is to ensure that the Company maintains the highest standards of integrity in its financial reporting and to protect stockholders and other stakeholders from the impact of inaccurate financial information caused by misconduct or errors. This policy aligns with the requirements of the **Dodd-Frank Wall Street Reform and Consumer Protection Act** and the **Securities and Exchange Commission** (SEC) rules regarding executive compensation.

**1. Triggering Events for Clawback**

* **Financial Restatement**: If the Company is required to restate its financials due to material errors or misconduct, the Company can clawback bonuses or other incentive-based compensation.
* **Misconduct**: If an executive or key employee engages in fraud, misconduct, or other unethical behaviors leading to financial harm or restatements.

**2. Scope of Clawback**

* **Types of Compensation**: Incentive-based compensation, including bonuses, stock options, and other performance-linked pay is subject to clawback.
* **Time Period for Recoupment**: The clawback is for up to 3 years, from the date the financial statements were originally issued.

**3. Who is Subject to the Clawback**

* **Executives and Key Employees**: The policy focuses on CEO, Vice-President and CFO, and any others who are responsible for financial reporting and performance that have incentive-based bonuses.

**4. Procedure for Clawback**

* Compensation recovery steps will be taken and may involve:
  + **Determining the amount** to be recouped (including interest).
  + **Requesting repayment** from the affected individual.
  + **Legal action** if the individual refuses to return the funds.

**5. Discretion and Enforcement**

* The Company’s Audit Committee is responsible for overseeing the clawback process.

**6. Definitions**

* **Incentive-Based Compensation**: Includes any form of compensation, such as bonuses, stock options, or performance-based equity, that is linked to the Company’s financial performance.
* **Restatement**: A correction or adjustment to the Company's financial statements due to errors or omissions.
* **Clawback Period**: The period during which compensation may be reclaimed. Typically, this is a period of three (3) years from the date the original financial statements were issued.
* **Clawback Event**: A trigger event that allows the Company to recoup compensation. This includes financial restatements or misconduct.

**7. Clawback Events**

The Audit Committee will require the Company to initiate a clawback of incentive-based compensation if one or more of the following events occur:

**A. Financial Restatement**

If the Company is required to restate its financial statements due to a material error or omission, and such error or omission results in an overstatement of the Company’s financial performance, the Company may clawback incentive-based compensation granted during the period covered by the restated financial statements. This includes, but is not limited to:

* Bonuses
* Stock options
* Other performance-linked compensation

**B. Misconduct or Fraud**

If it is determined that an executive or key employee engaged in fraud, misconduct, or any unethical conduct that contributed to the need for a financial restatement, the Company will reclaim any compensation awarded during the period of misconduct. Misconduct includes, but is not limited to:

* Breach of fiduciary duty
* Violation of securities laws or regulations
* Ethical violations related to financial reporting

**8. Scope of Clawback**

This policy applies to the following types of compensation:

* Annual bonuses
* Long-term incentive compensation
* Stock options and equity awards based on Company performance
* Other bonuses or forms of performance-based compensation

The clawback will be applied to the amount of incentive-based compensation that was earned based on the inaccurate financial results, and any excess compensation will be subject to recovery.

**9. Clawback Procedure**

If a clawback is triggered, the following steps will be taken:

**A. Identification**

The Audit Committee will review the circumstances surrounding the triggering event, including any restatement of financials or misconduct, to determine the amount of compensation to be clawed back.

**B. Notification**

The affected individual(s) will be notified in writing of the decision to pursue a clawback. This notice will outline the amount of compensation to be reclaimed and the reasons for the action.

**C. Recovery of Funds**

Once the clawback is determined, the Company will take reasonable steps to recover the funds. This may include:

* Requesting voluntary repayment by the affected individual.
* Implementing salary deductions or other agreed-upon methods of recoupment.
* Pursuing legal action if repayment is not made voluntarily.

The Company may charge interest on the amount to be repaid, as determined appropriate, in its sole discretion.

**10. Limitations**

The clawback will be limited to the amount of incentive-based compensation that was awarded based on the inaccurate financial information, and only for a period of three (3) years after the financial statements were originally issued. If the Company fails to act within this period, the right to clawback compensation may be waived.

**11. Board Oversight and Implementation**

The Audit Committee will oversee the implementation and enforcement of this policy. The committee will:

* Review the Company’s internal controls over financial reporting.
* Ensure that clawbacks are enforced fairly and consistently.
* Recommend any changes to this policy to the Board for approval, as necessary.

**12. Disclosure of Policy**

This clawback policy will be disclosed in the Company’s annual 10-K or other filings with the SEC, as required by law. The Company will also disclose any actions taken under this policy in its subsequent filings.

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