

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

**Part I Reporting Issuer**

1 Issuer's name  <b>BAB, Inc.</b>		2 Issuer's employer identification number (EIN)  <b>36-4389547</b>	
3 Name of contact for additional information  <b>Geri Conn</b>	4 Telephone No. of contact  <b>847-948-7520</b>	5 Email address of contact  <b>gconn@babcorp.com</b>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact  <b>500 Lake Cook Rd</b>		7 City, town, or post office, state, and Zip code of contact  <b>Deerfield, IL 60015</b>	
8 Date of action  <b>2014</b>		9 Classification and description  <b>Distributions affecting basis of stock</b>	
10 CUSIP number  <b>055183</b>	11 Serial number(s)	12 Ticker symbol  <b>BABB</b>	13 Account number(s)

**Part II Organizational Action** Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **Organization made 2014 cash distributions that will not be taxable as a dividend to the shareholders.**  
**Determination was based on taxable earnings through December 2014.**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **Investor will need to reduce basis in each share of stock by the return of capital percentage.**  
**2014 return of capital percentage for each \$0.01 of cash distribution is 16.59%.**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **Return of capital percentage included our taxable earnings and profit computed through December 31, 2014.**  
**The return of capital percentage represents: percentage the cash distributions are in excess of taxable earnings and profit.**

**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶  
**301(c), 312(a), 316(a)**

18 Can any resulting loss be recognized? ▶  
**No**

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶  
**The reportable tax year for Investors is 2014.**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**  
Signature ▶ *Geraldine Conn* Date ▶ *1/22/2015*  
Print your name ▶ **GERALDINE Conn** Title ▶ *Chief Financial Officer*

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.