Form **8937**
(December 2011)
Department of the Treasury
Internal Revenue Service

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

OMB No. 1545-2224

Part I Reporting Issuer

1 Issuer's name	2 Issuer's employer identification number (EIN)
BAB Inc	36-4389547

3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact
Geri Conn	847-948-7520	gconn@babcorp.com

6 Number and street (or P.O. box if mail is not delivered to street address) of contact	7 City, town, or post office, state, and Zip code of contact
500 Lake Cook Road	Deerfield, IL 60015

8 Date of action	9 Classification and description
2012	Distributions affecting basis of stock

10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
055183		BABB	

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 2012 cash distributions that will not be taxable as a dividend to the shareholders. Determination was based on taxable earnings through December 2012.

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. 2012 return of capital percentage per each $0.01 of cash disbursement is 58.96%.

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, 2012. The return of capital percentage represents: percentage the cash distributions are in excess of taxable earnings and profits.

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 2012.

Sign Here

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.

Signature ▶ [signature] Date ▶ 1/30/2013

Print your name ▶ Jeffrey M. Gorden Title ▶ Chief Financial Officer

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN

Firm's name ▶	Firm's EIN ▶
Firm's address ▶	Phone no.

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054