

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, 2020

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
(State or other jurisdiction of incorporation)

36-4389547
(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

State issuer's revenues for its most recent fiscal year: \$2,371,533.

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: \$2,505,232 based on 4,817,754 shares held by nonaffiliates as of May 31, 2020; Closing price (\$0.52) 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: 7,263,508 shares of Common Stock, as of February 26, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

See index to exhibits

FORM 10-K INDEX

PART I		
Item 1.	Business	3
Item 1A.	Risk Factors	7
Item 1B.	Unresolved Staff Comments	8
Item 2.	Properties	8
Item 3.	Legal Proceedings	8
Item 4.	Mine Safety Disclosures	8
PART II		
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	9
Item 6.	Selected Financial Data	10
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	15
Item 8.	Financial Statements and Supplementary Data	16
Item 9.	Changes in and Disagreement with Accountants on Accounting and Financial Disclosure	37
Item 9A.	Controls and Procedures	37
Item 9B.	Other Information	37
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	38
Item 11.	Executive Compensation	40
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	43
Item 13.	Certain Relationships, Related Transactions and Director Independence	44
Item 14.	Principal Accountant Fees and Services	44
PART IV		
Item 15.	Exhibits and Financial Statement Schedules	45

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, 2020, the Company had 72 franchise units and 7 licensed units in operation in 22 states and the United Arab Emirates. There is 1 unit 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, Big Apple Bagels cream cheese 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 a net loss \$66,000 for fiscal year ended November 30, 2020 and net income of \$449,000 for 2019. November 30, 2020 net operating income was \$233,000 compared to \$473,000 in 2019.

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 Coffee Bean International, Dawn Food Products, Inc., Savencia Cheese USA, Coca-Cola and U.S. Foods. 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 72 franchised locations and 7 licensed units in 22 states and the United Arab Emirates. There is 1 unit 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®--SD the Company has one SweetDuet franchised store which offers frozen yogurt and various toppings from which customers prepare their own yogurt creations. They also serve My Favorite Muffin® gourmet muffins and Brewster's® Coffee. Beginning in 2014, 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 Noah Restaurant Group, which operates Einstein Bros. Bagels. There are several other regional bagel chains with fewer than 50 stores, as well as numerous small, independently owned bagel bakeries and national fast food restaurants such as Dunkin' Donuts 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, and taste, convenience and 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 Noah Restaurant Group 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. 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.

COVID-19 DISCUSSION

In March 2020, the COVID-19 outbreak was declared a national public health emergency and states placed restrictions on many businesses. Many states mandated reduced hours, reduced or no public access. The restaurant industry was hit particularly hard because of the normal human contact.

As like many businesses across the world, BAB, Inc. was hard hit in March and April of 2020. Our franchise locations were restricted to limited hours and restrictions were put on contact between customers and workers. We promoted and provided tools and social media posting which provided our franchisees with the ability to continue to operate with limited contact, such as, online orders, third party pick-up and curbside service. Our franchisees began using the tools and sales increased May through our fiscal year end, November 30, 2020.

The Company responded to the COVID-19 pandemic by reducing variable costs as quickly as possible. Franchise advertising expense was reduced, salaries were reduced until we received our Payroll Protection loan, a decrease in operating supplies and professional fees were reduced. We encouraged and provided information to our franchisees as to how to apply for the loan and later how to get the loan forgiven. This stimulus package was of great help to us, and to many of the franchises in our system.

To assist our franchisees financially during COVID-19, the Company waived marketing fees, from week ending March 22, through May 31, 2020.. A graduated return to the original 3% fees was reinstated with 1.5% in June, 2% in July and then 3% week ending August 2, 2020.

During the pandemic we have instituted policies and procedures to keep our employees safe. Temperatures are taken upon entering the office area, hand sanitizer, sanitizing wipes and masks are provided. Masks are required to be worn in the office. Some of the measures we instituted were staggered in office days to minimize personal contact. Employees were able to work at home with little to no problems.

EMPLOYEES

As of November 30, 2020, the Company employed 12 full time persons 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. Employees receive fair and equitable pay regardless of gender. 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 2. PROPERTIES

The Company's principal executive office, consisting of approximately 5,300 square feet, is located in Deerfield, Illinois and is leased. A lease was signed in June of 2018, effective October 1, 2018, expiring on March 31, 2024 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, 2020 and 2019. The Company's common stock is traded on the NASDAQ OTCQB Marketplace under the symbol "BABB."

Year Ended: November 30, 2020	Low	High
First quarter	0.79	0.87
Second quarter	0.44	0.81
Third quarter	0.46	0.60
Fourth quarter	0.50	0.60
Year Ended: November 30, 2019	Low	High
First quarter	0.65	0.74
Second quarter	0.69	0.84
Third quarter	0.70	0.89
Fourth quarter	0.70	0.90

As of February 22, 2021, the Company's Common Stock was held by 128 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 22, 2021, is approximately 1,000 based upon information provided by a proxy services firm.

CASH DISTRIBUTION AND DIVIDEND POLICY

On January 27, 2021 the Board of Directors declared a \$0.01 quarterly cash distribution/dividend per share to stockholders of record as of February 10, 2021 and paid February 24, 2021.

On December 5, 2019, a \$0.01 quarterly and a \$0.02 special cash distribution/dividend per share was declared and paid on January 9, 2020. On March 4, 2020, a \$0.01 quarterly cash distribution/dividend per share was declared to stockholders of record as of March 23, 2020 and paid April 08, 2020.

The Board of Directors declared a \$0.01 quarterly cash distribution/dividend per share on March 13, June 5 and September 5, 2019, paid April 18, July 10, and October 8, 2019, respectively.

On December 6, 2018, a \$0.01 quarterly and a \$0.02 special cash distribution/dividend per share was declared and paid on January 11, 2019.

On May 6, 2013, the Board of Directors ("Board") of BAB, Inc. authorized and declared a dividend distribution of one right for each outstanding share of the common stock of BAB, Inc. 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 Shareholder 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 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.

ITEM 6. SELECTED FINANCIAL DATA

Not required for smaller reporting companies.

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 72 franchised and 7 licensed units with 1 unit under development at the end of 2020. Units in operation and under development at the end of 2019 included 72 franchised and 7 licensed units and 2 units under development. System-wide revenues were \$28.6 million in 2020 and \$34.3 million in 2019.

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, Big Apple Bagels cream cheese and Brewster's coffee) to franchisees, licensees and other approved customers.

YEAR 2020 COMPARED TO YEAR 2019

Total revenues from all sources decreased \$698,000, or 22.7%, to \$2,372,000 in 2020 from \$3,070,000 in the prior year. Marketing revenue decreased \$316,000 in 2020 compared to 2019, franchise fee revenue decreased \$12,000 in 2020 versus 2019, royalty revenue decreased \$267,000 and licensing and other revenue decreased \$103,000 in 2020 compared to 2019.

Royalty revenue from franchise stores decreased \$267,000, or 16.2%, to \$1,379,000 in 2020 as compared to \$1,646,000 in 2019. The decrease in royalty revenue was primarily a result of the COVID-19 pandemic, resulting in temporary store closings and reduced customer traffic. Franchise fee revenue decreased \$12,000, or 35.3%, to \$22,000 in 2020 as compared to \$34,000 in 2019. During fiscal 2020 there were 4 transfers of which \$5,000 was recognized and 3 were amortizable compared to 5 transfers recognizing \$20,000 in 2019 with 1 being amortizable. Licensing fees and other income decreased \$103,000, or 25.6%, to \$299,000 in 2020 compared to \$402,000 in 2019. Marketing fund revenues decreased in 2020 compared to 2019 because of a decrease in sales due to the COVID-19 pandemic and because the Company waived marketing fees from franchisees. In order for the Company to assist its franchisees during COVID-19, from week ending March 22, through May 31, 2020 marketing fees were waived and a graduated return to the original 3% fees was reinstated with 1.5% in June, 2% in July and then 3% week ending August 2, 2020.

Total operating expenses in 2020 were \$2,138,000, or 90.2% of revenues, compared to \$2,596,000, or 84.6% of revenues in 2019. Total operating expenses in 2020 decreased \$458,000, or 17.6%, in 2020 compared to 2019.

The decrease in operating expenses of \$458,000 in 2020 was primarily due to a decrease in marketing expenses of \$316,000, which was due to COVID-19 and reduced marketing fund revenues. In addition, the Company responded to the COVID-19 pandemic by reducing several variable expenses such as advertising expense, which decreased \$37,000. Additionally, an employee retired in May 2020 without replacement and no bonuses were paid in 2020 reducing employee benefit expense and payroll and payroll tax expenses by \$100,000. Our professional service providers worked with us during the pandemic to assist us in reducing accounting fees by \$4,000 and we reduced legal and consulting fees by \$13,000. The pandemic also restricted travel and the expense was reduced by \$29,000. In 2020 compared to 2019. These reductions in expenses were offset by fixed cost increases in 2020 of \$14,000 in occupancy expense, \$10,000 in general tax expense, \$4,000 in insurance expense and general expenses of \$13,000 compared to 2019.

Interest income was less than \$1,000 in 2020 and \$1,000 in 2019.

There was an income tax expense in 2020 of \$300,000, which includes \$285,000 of noncash deferred tax expense and \$15,000 of state income tax expense in 2020 compared to \$25,000 of state income tax expense in 2019. There was a net loss of \$66,000 in 2020 versus net income of \$449,000 in 2019. The fiscal 2020 net loss included a deferred tax adjustment related to utilized and projected unutilized federal net operating losses which reduced the deferred tax asset for expiring federal NOL's.

Total operating income was \$233,000 in 2020 or 9.8% of revenue as compared to \$473,000 or 15.4% of revenue in the prior year. In 2020 there was a \$0.01 loss per share for basic and diluted outstanding shares and \$0.06 per share income for basic and diluted outstanding shares in 2019.

LIQUIDITY AND CAPITAL RESOURCES

At November 30, 2020, the Company had working capital of \$732,000 and unrestricted cash of \$1,236,000, which includes the proceeds of a Payroll Protection Program loan of \$228,155. At November 30, 2019, the Company had working capital of \$813,000 and unrestricted cash of \$1,095,000.

During fiscal 2020, the Company had a net loss of \$66,000 and operating activities which provided cash of \$213,000. The principal adjustments to reconcile the net loss to cash provided by operating activities were depreciation and amortization of \$4,000, deferred tax expense of \$285,000 and noncash lease expense of \$99,000, less the provision for uncollectible accounts of \$7,000. In addition, changes in other operating assets and liabilities decreased cash a total of \$88,000. During fiscal 2019, the Company had net income of \$449,000 and operating activities which provided cash of \$432,000. The principal adjustments to reconcile net income to cash provided by operating activities were depreciation and amortization of \$2,000, deferred tax expense of \$48,000 and noncash lease expense of \$75,000, less the provision for uncollectible accounts of \$15,000. In addition, changes in other operating assets and liabilities decreased cash a total of \$128,000.

During fiscal 2020, the Company used \$13,000 for investing activities for equipment purchases and trademark renewal. During fiscal 2019, the Company used \$9,000 for investing activities for equipment purchases and trademark renewals.

Financing activities in fiscal 2020 included funds increasing cash flow of \$228,155 for a PPP loan and cash distributions/dividend payments to common stockholders of \$291,000 and in 2019, \$436,000 was used for cash distributions/dividend payments to common stockholders.

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.

Due to the impact of the COVID-19 pandemic, the Company suspended dividends through the fourth quarter of 2020. Future cash distributions/dividends will be considered after reviewing profitability expectations and financing needs for fiscal 2021. On January 27, 2021 the Board of Directors declared a \$0.01 dividend payable February 2021.

Determination of whether distributions are considered a cash distribution, cash dividend or combination of the two will not be made until after December 31, 2020, as the classification or combination is dependent upon the Company's earnings and profits for tax purposes for its fiscal year ending November 30, 2020.

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.

The Company was granted a Payroll Protection Program loan in May 2020 in the amount \$228,155. The loan was forgiven through the SBA on December 8, 2020 and will be reflected in other income during our fiscal year 2021 first quarter.

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

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, 2020 and 2019 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 its carrying value, a quantitative assessment is then performed.

Although the COVID-19 pandemic has caused significant disruption to our industry, the Company has been able to recover much quicker than expected and 2020 total revenues, excluding marketing fund revenues were 81.6% of fiscal 2019 total revenues. Management reviewed and updated the qualitative assessment conducted during the first quarter 2020 and at year end and does not believe that any impairment exists at November 30, 2020.

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. The Company reviews the collectability of receivables periodically taking into account payment history and industry conditions.

Valuation Allowance and Deferred Taxes

A valuation allowance is the portion of a deferred tax asset for which it is more likely than not that a tax benefit will not be realized.

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. As of November 30, 2020, the net operating loss carryforwards which it believes it will utilize are approximately \$756,000, expiring between 2021 and 2029 for U.S. federal tax purposes.

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 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, 2020 and 2019 were liabilities of \$183,800 and \$170,900, 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.

Recent 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, 2019. The Company will adopt ASU 2019-12 for fiscal year ending *November 30, 2021*.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 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 2019-12 are effective for public business entities for fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have yet been issued. The Company will adopt ASU 2019-12 for fiscal year ending November 30, 2022.

Management does not believe that there are any recently issued and effective or not yet effective accounting pronouncements as of November 30, 2020 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, 2020 and 2019

C o n t e n t s

Report of Independent Registered Public Accounting Firm	17
Consolidated Balance Sheets	18
Consolidated Statements of Income	19
Consolidated Statements of Stockholders' Equity	20
Consolidated Statements of Cash Flows	21
Notes to the Consolidated Financial Statements	22 - 36



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, 2020 and 2019, and the related statements of income, stockholders' equity, and cash flows for each of the years in the two-year period ended November 30, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended November 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

Adoption of Revenue Recognition Standard

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for revenue recognition for the year ended November 30, 2019 using the modified retrospective approach, pursuant to the guidance in ASU No. 2014-09, Revenue from Contracts with Customers.

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.

Sassetti LLC

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

Oak Park, Illinois
February 26, 2021

6611 North Ave, Oak Park, Illinois 60302 • 708.386.1433 • 1776 Legacy Cir #118, Naperville, Illinois 60563 • 630.577.9074 • sassetti.com

BAB, Inc
Consolidated Balance Sheets
November 30, 2020 and 2019

	<u>November 30, 2020</u>	<u>November 30, 2019</u>
ASSETS		
Current Assets		
Cash	\$ 1,236,081	\$ 1,095,235
Restricted cash	396,842	400,434
Receivables		
Trade accounts and notes receivable (net of allowance for doubtful accounts of \$18,152 in 2020 and \$24,792 in 2019)	62,969	66,870
Marketing fund contributions receivable from franchisees and stores	17,544	17,219
Prepaid expenses and other current assets	96,723	94,145
Total Current Assets	1,810,159	1,673,903
Property, plant and equipment (net of accumulated depreciation of \$157,118 in 2020 and \$155,752 in 2019)		
Trademarks	461,445	461,445
Goodwill	1,493,771	1,493,771
Definite lived intangible assets (net of accumulated amortization of \$127,474 in 2020 and \$125,278 in 2019)	23,707	12,625
Operating lease right of use	303,084	384,159
Deferred tax asset	-	200,000
Total Noncurrent Assets	2,284,303	2,555,662
Total Assets	\$ 4,094,462	\$ 4,229,565
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 10,279	\$ 4,195
Accrued expenses and other current liabilities	288,888	287,414
Unexpended marketing fund contributions	387,117	416,305
Deferred franchise fee revenue	33,957	29,363
Deferred licensing revenue	31,071	31,072
Current portion operating lease liability	99,149	92,139
Payroll Protection Program loan	228,155	-
Total Current Liabilities	1,078,616	860,488
Long-term Liabilities (net of current portion)		
Operating lease liability	260,094	359,242
Deferred franchise revenue	93,929	72,670
Deferred tax liability	84,940	-
Deferred licensing revenue	3,869	7,440
Total Long-term Liabilities	442,832	439,352
Total Liabilities	\$ 1,521,448	\$ 1,299,840
Stockholders' Equity		
Preferred shares -\$.001 par value; 4,000,000 authorized; no shares outstanding as of November 30, 2020 and 2019	-	-
Preferred shares -\$.001 par value; 1,000,000 Series A authorized; no shares outstanding as of November 30, 2020 and 2019	-	-
Common stock -\$.001 par value; 15,000,000 shares authorized; 8,466,953 shares issued and 7,263,508 shares outstanding as of November 30, 2020 and 2019	13,508,257	13,508,257
Additional paid-in capital	987,034	987,034
Treasury stock	(222,781)	(222,781)
Accumulated deficit	(11,699,496)	(11,342,785)
Total Stockholders' Equity	2,573,014	2,929,725
Total Liabilities and Stockholders' Equity	\$ 4,094,462	\$ 4,229,565

See accompanying notes

BAB, Inc
Consolidated Statements of Income
Years Ended November 30, 2020 and 2019

	2020	2019
REVENUES		
Royalty fees from franchised stores	\$ 1,379,153	\$ 1,645,639
Franchise Fees	21,955	33,817
Licensing fees and other income	298,766	402,293
Marketing fund revenue	671,659	987,943
Total Revenues	2,371,533	3,069,692
OPERATING EXPENSES		
Selling, general and administrative expenses:		
Payroll and payroll-related expenses	885,410	974,362
Occupancy	133,053	119,379
Advertising and promotion	25,216	62,487
Professional service fees	112,981	129,854
Travel	10,245	39,206
Employee benefit expenses	136,821	147,435
Depreciation and amortization	3,562	2,057
Marketing fund expenses	671,659	987,943
Other	159,195	133,488
Total Operating Expenses	2,138,142	2,596,211
Income from operations	233,391	473,481
Interest income	378	612
Income before provision for income taxes	233,769	474,093
Provision for income taxes		
Current tax expense	15,000	(23,000)
Deferred tax expense	284,940	48,000
Total Tax Provision	299,940	25,000
Net (Loss)/Income	\$ (66,171)	\$ 449,093
Net (Loss)/Income per share - Basic and Diluted	\$ (0.01)	\$ 0.06
Weighted average shares outstanding - Basic and diluted	7,263,508	7,263,508
Cash distributions declared per share	\$ 0.04	\$ 0.05

See accompanying notes

BAB, Inc
Consolidated Statements of Stockholders' Equity
Years Ended November 30, 2020 and 2019

	Common Stock	Additional Paid-In	Treasury Stock	Accumulated Deficit			
November 30, 2018	<u>8,466,953</u>	<u>\$ 13,508,257</u>	<u>\$ 987,034</u>	<u>1,203,445</u>	<u>\$ (222,781)</u>	<u>\$ (11,272,448)</u>	<u>\$ 3,000,062</u>
Cummulative Effect of Adoption of ASC606						(83,619)	(83,619)
Dividends Declared						(435,811)	(435,811)
Net Income						449,093	449,093
November 30, 2019	<u>8,466,953</u>	<u>\$ 13,508,257</u>	<u>\$ 987,034</u>	<u>1,203,445</u>	<u>\$ (222,781)</u>	<u>\$ (11,342,785)</u>	<u>\$ 2,929,725</u>
Dividends Declared						(290,540)	(290,540)
Net (Loss)/Income						(66,171)	(66,171)
November 30, 2020	<u>8,466,953</u>	<u>\$ 13,508,257</u>	<u>\$ 987,034</u>	<u>1,203,445</u>	<u>\$ (222,781)</u>	<u>\$ (11,699,496)</u>	<u>\$ 2,573,014</u>

See accompanying notes

BAB, Inc
Consolidated Statements of Cash Flows
Years Ended November 30, 2020 and 2019

	November 30, 2020	November 30, 2019
Operating activities		
Net (Loss)/Income	\$ (66,171)	\$ 449,093
Adjustments to reconcile net income to cash flows provided by operating activities:		
Depreciation and amortization	3,562	2,057
Deferred tax expense	284,940	48,000
Provision for uncollectible accounts, net of recoveries	(7,080)	(14,945)
Noncash lease expense	99,312	75,423
Changes in:		
Trade accounts receivable and notes receivable	10,981	26,087
Marketing fund contributions receivable	(325)	(1,388)
Prepaid expenses and other	(2,578)	(23,307)
Accounts payable	6,084	(34,029)
Accrued liabilities	1,474	(11,555)
Unexpended marketing fund contributions	(29,188)	(43,108)
Deferred revenue	22,281	(15,347)
Operating lease liability	(110,375)	(25,460)
Net Cash Provided by Operating Activities	<u>212,917</u>	<u>431,521</u>
Investing activities		
Capitalization of trademark renewals	(13,278)	(6,020)
Purchase of property	-	(3,248)
Net Cash Used In Investing Activities	<u>(13,278)</u>	<u>(9,268)</u>
Financing activities		
Loan proceeds	228,155	-
Cash distributions/dividends	(290,540)	(435,811)
Net Cash Used In Financing Activities	<u>(62,385)</u>	<u>(435,811)</u>
Net Increase/(Decrease) in Cash and Restricted Cash	137,254	(13,558)
Cash and Restricted Cash - Beginning of Period	1,495,669	1,509,227
Cash and Restricted Cash - End of Period	<u>\$ 1,632,923</u>	<u>\$ 1,495,669</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ 36,012</u>	<u>\$ 3,050</u>
Non cash operating activities:		
Tenant improvement allowance	<u>\$ -</u>	<u>\$ 21,203</u>

See accompanying notes

BAB, Inc
Notes to the Consolidated Financial Statements
November 30, 2020 and 2019

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, MFM and SD trade names. At November 30, 2020, the Company had 72 franchise units and 7 licensed units in operation in 22 states and the United Arab Emirates. There is 1 unit 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, Big Apple Bagels cream cheese 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.

BAB, Inc
Notes to the Consolidated Financial Statements
November 30, 2020 and 2019

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Accounts and Notes Receivable

Receivables are carried at original invoice amount less estimates for doubtful accounts. Management determines the allowance for doubtful accounts by reviewing and identifying troubled accounts and by using historical collection experience. A receivable is considered to be past due if any portion of the receivable balance is outstanding 90 days past the due date. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as income when received. Certain receivables have been converted to unsecured interest-bearing notes.

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, 2020 and 2019, 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 its carrying value, a quantitative assessment is then performed.

Although the COVID-19 pandemic has caused significant disruption to our industry, the Company has been able to recover much quicker than expected and 2020 total revenues, excluding marketing were 81.6% of fiscal 2019 total revenues, excluding marketing. Management reviewed and updated the qualitative assessment conducted during the first quarter 2020 and at year end and does not believe that any impairment exists at November 30, 2020.

BAB, Inc
Notes to the Consolidated Financial Statements
November 30, 2020 and 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Goodwill and Other Intangible Assets (continued)

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

	Goodwill	Trademarks	Definite Lived Intangibles	Total
Net Balance as of November 30, 2018	\$ 1,493,771	\$ 459,637	\$ 9,742	\$ 1,963,150
Additions	-	1,808	4,212	6,020
Amortization expense	-	-	(1,329)	(1,329)
Net Balance as of November 30, 2019	\$ 1,493,771	\$ 461,445	\$ 12,625	\$ 1,967,841
Additions	-	-	13,278	13,278
Amortization expense	-	-	(2,196)	(2,196)
Net Balance as of November 30, 2020	\$ 1,493,771	\$ 461,445	\$ 23,707	\$ 1,978,923

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 \$25,000 and \$62,000 in 2020 and 2019, 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. In addition, a valuation allowance can be provided for deferred tax assets when it is more likely than not that all or some portion of the deferred tax asset will not be realized.

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, 2020 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, 2020 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 under Inc. for the years ending November 30, 2017, 2018 and 2019 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, 2020 and 2019

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.

We have elected certain practical expedients available under the guidance, including a package of practical expedients which allow us to not reassess prior conclusions related to contracts containing leases, lease classification, and initial direct costs. We have also elected to not recast its comparative periods.

Recent 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, 2019. Early adoption of the guidance is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company will adopt ASU 2019-12 for fiscal year ending November 30, 2021.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 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 2019-12 are effective for public business entities for fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have yet been issued. The Company will adopt ASU 2019-12 for fiscal year ending November 30, 2022.

Management does not believe that there are any recently issued and effective or not yet effective accounting pronouncements as of November 30, 2020 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, 2020 and 2019

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 and an international segment. The international segment operations are immaterial.

Statement of Cash Flows

The chart below shows the cash and restricted cash within the consolidated statements of cash flows as of November 30, 2020 and November 30, 2019 were as follows:

	November 30, 2020	November 30, 2019
Cash and cash equivalents	\$ 1,236,081	\$ 1,095,235
Restricted cash	396,842	400,434
Total cash and restricted cash	<u>\$ 1,632,923</u>	<u>\$ 1,495,669</u>

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.

	2020	2019
Numerator:		
Net income available to common shareholders	\$ (66,171)	\$ 449,093
Denominator:		
Weighted average outstanding shares		
Basic and diluted	7,263,508	7,263,508
Earnings per Share - Basic and diluted	<u>\$ (0.01)</u>	<u>\$ 0.06</u>

At November 30, 2020 and 2019, 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, 2020 and 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company adopted Topic 606 on December 1, 2018 using the modified retrospective transition method and recorded an increase to opening accumulated deficit of \$84,000. The adoption of this standard update resulted in no tax impact. The Company adopted Topic 606 only for contracts with remaining performance obligations as of December 1, 2018, under the modified retrospective transition method.

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, 2020 and 2019

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 will be 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, 2020 and 2019

Note 3 – Revenue Recognition

Disaggregation of Revenue

The following table presents disaggregation of revenue from contracts with customers for the year ended November 30, 2020 and 2019:

	For year ended November 30, 2020	For year ended November 30, 2019
Revenue recognized at a point in time		
Sign Shop revenue	\$ 2,697	\$ 2,409
Settlement revenue	33,553	80,307
Total revenue at a point in time	36,250	82,716
Revenue recognized over time		
Royalty revenue	1,379,153	1,645,639
Franchise fees	21,955	33,817
License fees	29,354	19,875
Gift card revenue	4,472	4,494
Nontraditional revenue	228,690	295,208
Marketing fund revenue	671,659	987,943
Total revenue over time	2,335,283	2,986,976
Grand total	\$ 2,371,533	\$ 3,069,692

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.

	November 30, 2020	November 30, 2019
Liabilities		
Contract liabilities - current	599,965	622,724
Contract liabilities - long-term	97,798	80,110
Total Contract Liabilities	\$ 697,763	\$ 702,834

BAB, Inc
Notes to the Consolidated Financial Statements
November 30, 2020 and 2019

Contract balances (continued)

	2020	2019
Contract Liabilities at beginning of period	\$ 702,834	\$ 754,542
Revenue Recognized during period	(780,834)	(1,141,617)
Additions during period	775,869	1,089,909
Contracts at end of period	<u>\$ 697,869</u>	<u>\$ 702,834</u>

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

2021	\$ 57,028
2022	\$ 21,631
2023	\$ 16,937
2024	\$ 14,806
2025	\$ 11,044
Thereafter	\$ 41,380
Total	<u>\$ 162,826</u>

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.

BAB, Inc
Notes to the Consolidated Financial Statements
November 30, 2020 and 2019

Note 4 – Units Open, Licensed and Under Development

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

	2020	2019
Stores open:		
Franchisee-owned stores	72	72
Licensed Units	7	7
	<u>79</u>	<u>79</u>
Unopened stores with Franchise Agreements	<u>1</u>	<u>2</u>
Total operating units and units with Franchise Agreements	<u><u>80</u></u>	<u><u>81</u></u>

Note 5 – Income Taxes

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

	2020	2019
Current		
Federal	\$ -	\$ (17,181)
State	15,000	(5,819)
Deferred	284,940	48,000
Total	<u>\$ 299,940</u>	<u>\$ 25,000</u>

The decrease in the net deferred tax asset was due to a change in the actual and expected use of net operating losses, (“NOL’s”) that will be expiring in 2021 through 2029. The reduction in current tax expense in 2020 and 2019 relates to the utilization of NOL’s.

The effective tax rate used to compute income tax expense and deferred tax assets and liabilities is a federal rate of 21% and a state rate of 7.11%, net of the federal tax effect.

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

	2020	2019
Federal income tax provision computed at federal statutory rate	\$ 49,091	\$ 99,560
State income taxes, net of federal tax provision	16,620	33,708
Change in valuation allowance, utilization of NOL's and expected future use of NOL's and other adjustments	234,229	(108,268)
Income Tax Provision	<u>\$ 299,940</u>	<u>\$ 25,000</u>

BAB, Inc
Notes to the Consolidated Financial Statements
November 30, 2020 and 2019

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:

	2020	2019
Deferred revenue	\$ 45,771	\$ 39,507
Marketing Fund net contributions	111,552	112,562
Allowance for doubtful accounts and notes receivable	5,103	6,969
Accrued expenses	49,176	44,582
Operating lease liability	100,983	126,883
Net operating loss carryforwards	159,567	475,380
Valuation allowance	-	(28,500)
Total Deferred Income Tax Asset	<u>\$ 472,152</u>	<u>\$ 777,383</u>
Depreciation and amortization	\$ (471,895)	\$ (469,396)
Right of use lease asset	(85,197)	(107,987)
Total Deferred Income Tax Liabilities	<u>\$ (557,092)</u>	<u>\$ (577,383)</u>
Total Net Deferred Tax (Liability)/Asset	<u>\$ (84,940)</u>	<u>\$ 200,000</u>

As of November 30, 2020 the Company has estimated realizable net operating loss carryforwards of approximately \$756,000 expiring between 2021 and 2029 for U.S. federal income tax purposes. There are no remaining net operating loss carryforwards to be utilized for state 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. There is no valuation allowance established for 2020 because it is expected that the NOLs will be utilized. A valuation allowance was established in 2019 for \$29,000 for the portion of the deferred tax benefit related to loss carryforwards that were more likely than not to be realized.

The Company's income tax returns, which are filed as a consolidated return under Inc. for the years ending November 30, 2017, 2018 and 2019 are subject to examination by the IRS and corresponding states, generally for three years after they are filed.

Note 6 – Stockholders' Equity

Due to the impact of the COVID-19 pandemic, the Company suspended dividends for the third and fourth quarters of fiscal 2020. Future cash distributions/dividends will be considered after reviewing profitability expectations and financing needs for fiscal 2021. On January 27, 2021, the Board of Directors declared a \$0.01 dividend payable February 2021. The Company will continue to analyze its ability to pay cash distributions/dividends on a quarterly basis.

On December 5, 2019, a \$0.01 quarterly and a \$0.02 special cash distribution/dividend per share was declared and paid on January 9, 2020 and a \$0.01 cash dividend was declared on March 4, 2020 and paid April 8, 2020. On December 6, 2018 a \$0.01 quarterly and a \$0.02 special cash distribution/dividend was declared and paid on January 11, 2019. A \$0.01 quarterly cash distribution/dividend was declared on March 13, June 5, and September 5, 2019, paid April 18, July 10 and October 8, 2019, respectively.

BAB, Inc
Notes to the Consolidated Financial Statements
November 30, 2020 and 2019

Note 6 – Stockholders' Equity (continued)

Determination of whether distributions are considered a cash distribution, cash dividend or combination of the two will not be made until after December 31, 2020, as the classification or combination is dependent upon the Company's earnings and profits for tax purposes for its fiscal year ending November 30, 2020.

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.

On May 6, 2013, the Board of Directors ("Board") of BAB, Inc. authorized and declared a dividend distribution of one right for each outstanding share of the common stock of BAB, Inc. 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 Shareholder 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 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.

Note 7 – Recent Accounting Pronouncement

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, 2019. The Company will adopt ASU 2019-12 for fiscal year ending November 30, 2021.

BAB, Inc
Notes to the Consolidated Financial Statements
November 30, 2020 and 2019

Note 7 – Recent Accounting Pronouncement (continued)

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,” which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 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 2019-12 are effective for public business entities for fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have yet been issued. The Company will adopt ASU 2019-12 for fiscal year ending November 30, 2022.

Management does not believe that there are any recently issued and effective or not yet effective accounting pronouncements as of November 30, 2020 that would have or are expected to have any significant effect on the Company’s financial position, cash flows or income statement.

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. A lease was signed in June of 2018, effective October 1, 2018, expiring on March 31, 2024 with an option to renew for a 5 year period. A six month rent abatement and tenant allowance was provided in the lease, with any unused portion to be applied to base rent. The unused portion was determined to be \$21,300. 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 2020 and 2019 were \$88,600 and \$83,800, respectively. At November 30, 2020, the remaining lease term was 40 months. The operating lease is included in the balance sheet at the present value of the lease payments at a 5.25% 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, 2020, are as follows:

Year Ending November 30:	Undiscounted Rent Payments
2021	113,024
2022	115,673
2023	118,322
2024	40,177
Total Undiscounted Rent Payments	387,196
Present Value Discount	(27,953)
Present Value	\$ 359,243
Short-term lease liability	\$ 99,149
Long-term lease liability	260,094
Total Operating Lease Liability	\$ 359,243

BAB, Inc
Notes to the Consolidated Financial Statements
November 30, 2020 and 2019

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 2020 and 2019 the Company's employer match was \$34,000 and \$40,000, respectively. There were no Company discretionary contributions in 2020 or 2019.

Note 10 – Payroll Protection Program Loan

On May 1, 2020, BAB Systems, Inc. received loan proceeds of \$228,155 from Lake Forest Bank and Trust Company, N.A., pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title 1 of the CARES Act, which was enacted March 27, 2020.

The PPP Loan, which was in the form of a Note dated April 30, 2020 was issued to BAB Systems, Inc. The BAB PPP Loan has a two-year term and bears interest at a rate of 1% per annum. Monthly principal and interest payments are deferred for nine months after the date of disbursement. The BAB PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. The Note contains events of default and other provisions customary for a loan of this type.

Under the terms of the CARES Act, PPP Loan participants can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. Under the terms of the PPP, PPP loans and accrued interest are forgivable between eight weeks and twenty-four weeks, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight week period. BAB has used the loan proceeds for purposes consistent with the PPP, and had anticipated that all or a majority of the loan amount would be forgiven.

On December 9, 2020 the PPP loan in the amount of \$228,155 and related accrued interest was forgiven by the Small Business Administration ("SBA"). The amount forgiven will be recognized as a gain upon debt extinguishment during the quarter ended February 28, 2021.

Note 11 – 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.

BAB, Inc
Notes to the Consolidated Financial Statements
November 30, 2020 and 2019

Note 12 – Uncertainties and COVID-19

The COVID-19 pandemic outbreak in the United States has resulted in reduced customer traffic for our franchisees, resulting in reduced royalty revenue and ultimately reduced nontraditional revenues with a significant impact in April and May. Management believes that the disruption in customer traffic is temporary and as of the end of August 2020, most states have opened up or are opening up for limited indoor and outdoor dining.

In order to support our franchisees during this difficult time, the Company waived the 3% marketing fees from March 16, 2020 through May 31, 2020, with graduated amounts of marketing fees reinstated beginning in June and July 2020. We provided our franchisees information on the CARES stimulus package, and several franchisees received Payroll Protection Program (PPP) loans. We applied and received PPP loan funds. For information, see the 8-K filed on May 5, 2020 with the Security and Exchange Commission.

While the COVID-19 pandemic has created challenges for restaurants around the country, we are proud of the work our franchisees have put in to adapt to changing regulations and government mandates. As states begin to open up and ease restrictions we have seen franchise locations total royalty revenue rebound from down approximately 60.7% in April 2020 compared to 2019 to down approximately 9.5% in November 2020 compared to 2019. We are continuing to evaluate the effects of the COVID-19 pandemic outbreak on our operations.

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, 2020 and 2019, and through the date of this Current Report, there were: (1) no disagreements between the Company and Sasseti 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, 2020.

This annual report does not include an attestation report of 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 quarter. 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, 2020.

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. Feldman became 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. Since 2014 Mr. Feldman has been working with and investing in a variety of startup companies in the Chicago area. 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 oversees all aspects of BAB, Inc., including franchise development, marketing, as well as all corporate franchise sales performance, corporate finance and corporate and franchise operations.

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	64	Chief Executive Officer, President and Director
Michael K. Murtaugh	76	Vice President, General Counsel, Secretary and Director
Geraldine Conn	69	Chief Financial Officer and Treasurer
Steven G. Feldman	64	Director
James A. Lentz	73	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.

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 2020 and 2019 (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 (\$)	Non-qualified deferred Compensation earnings (\$)	All other compensation (\$)(1)	Total (\$)
Michael W. Evans President and CEO	2020	207,887	-	-	-	-	-	8,316	216,203
	2019	207,887	27,000	-	-	-	-	9,395	244,282
Michael K. Murtaugh Vice President and General Counsel	2020	149,671	-	-	-	-	-	5,238	154,909
	2019	149,671	19,440	-	-	-	-	5,918	175,029
Geraldine Conn Chief Financial Officer	2020	110,046	-	-	-	-	-	4,406	114,452
	2019	107,908	6,375	-	-	-	-	4,571	118,854

In fiscal 2020 bonuses were earned and waived in full by Mr Evans and Mr. Murtaugh. In fiscal 2019 bonuses were earned and a portion was paid and a portion 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:
 2020 M. Evans \$8,316; M. Murtaugh \$5,238; G. Conn \$4,406
 2019 M. Evans \$9,395; M. Murtaugh \$5,918; G. Conn \$4,571

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, 2020:

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
 (Continued)**

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	-	-	-	-
	-	-	-	-

The following table sets forth any compensation paid to directors during fiscal year ended November 30, 2020:

DIRECTOR COMPENSATION
Compensation for fiscal year ended November 30, 2020

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	2,500	-	-	-	-	-	2,500
James Lentz	2,500	-	-	-	-	-	2,500

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 shareholders 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 22, 2021 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 22, 2020 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	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 2020 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, 2020 and 2019 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 \$54,600 and \$59,400 for fiscal 2020 and 2019, respectively.

Tax compliance services provided by Sassetti LLC were \$11,200 for fiscal 2020 and 2019.

During the years ended November 30, 2020 and 2019, 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, 2020 and 2019 and the Consolidated Statements of Income, Shareholders' Equity and Cash Flows for the years ended November 30, 2020 and 2019 are reported on by Sassetti LLC. These statements are prepared in accordance with United States GAAP.

(2) Financial Statement Schedules - none

(b) INDEX 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)
3.2	Bylaws of the Company (See Form 10-KSB for year ended November 30, 2006)
4.1	Preferred Shares Rights Agreement (See Form 8-K filed May 6, 2013 and as amended June 18, 2014, August 18, 2015)
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
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, 2021

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, 2021
By /s/ Michael W. Evans
Michael W. Evans, Director, Chief Executive Officer and President (Principal Executive Officer)

Dated: February 26, 2021
By /s/ Michael K. Murtaugh
Michael K. Murtaugh, Director and Vice President/General Counsel and Secretary

Dated: February 26, 2021
By /s/ Geraldine Conn
Geraldine Conn, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

Dated: February 26, 2021
By /s/ Steven G. Feldman
Steven G. Feldman, Director

Dated: February 26, 2021
By /s/ James A. Lentz
James A. Lentz, Director

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:
 - (a) 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;
 - (b) 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;
 - (c) 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
 - (d) 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):
 - (a) 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
 - (b) 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, 2021

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:
 - (a) 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;
 - (b) 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;
 - (c) 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
 - (d) 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):
 - (a) 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
 - (b) 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, 2021

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, 2020, 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, 2021

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, 2020, 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, 2021

By: /s/ Geraldine Conn

Geraldine Conn, Chief Financial Officer