

BAB, Inc.	Project Type: 10-Q
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Submission Information

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Emerging Growth Company	False
ex Transition Period	False
Reporting Period	5/31/2026
Smaller Reporting Company?	True

Documents

10-Q	FORM 10-Q
EX-21.1	Exhibit 21.1
EX-31.1	Exhibit 31.1
EX-31.2	Exhibit 31.2
EX-32.1	Exhibit 32.1
EX-32.2	Exhibit 32.2

FORM 10-Q

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 2026

☐ 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.

(Name of small business issuer in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

36-4389547
(I.R.S. Employer Identification No.)

500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015

(Address of principal executive offices) (Zip Code)

Issuer'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 each exchange on which registered
Common Stock	BABB	OTCQB

Indicate by checkmark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by checkmark whether the registrant is a large accelerated filer, accelerated filer, a non-accelerated filer, or a smaller reporting company. 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. Yes ☐ No ☒

As of July 13, 2026 BAB, Inc. had: 7,263,508 shares of Common Stock outstanding.

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PART I

ITEM 1. FINANCIAL STATEMENTS

BAB, Inc. Consolidated Balance Sheets

	May 31, 2026 (unaudited)	November 30, 2025 (audited)
ASSETS		
Current Assets		
Cash	\$ 2,215,397	\$ 2,153,597
Restricted cash	341,057	156,625
Receivables		
Trade accounts and notes receivable (net of allowance for credit losses of \$49,350 in 2026 and \$49,350 in 2025)	61,285	57,548
Marketing fund contributions receivable from franchisees and stores	24,934	19,930
Prepaid expenses and other current assets	50,351	112,475
Total Current Assets	<u>2,693,024</u>	<u>2,500,175</u>
Property, plant and equipment (net of accumulated depreciation of \$160,414 in 2026 and \$159,814 in 2025)	2,597	3,197
Trademarks	461,445	461,445
Goodwill	1,493,771	1,493,771
Definite lived intangible assets (net of accumulated amortization of \$146,745 in 2025)	-	13,240
Operating lease right of use	278,613	308,768
Total Noncurrent Assets	<u>2,236,426</u>	<u>2,280,421</u>
Total Assets	<u>\$ 4,929,450</u>	<u>\$ 4,780,596</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 3,825	\$ 8,477
Income tax payable	41,478	-
Accrued expenses and other current liabilities	208,302	328,561
Unexpended marketing fund contributions	359,469	169,033
Deferred franchise fee revenue	46,730	24,937
Current portion operating lease liability	59,003	55,315
Total Current Liabilities	<u>718,807</u>	<u>586,323</u>
Long-term Liabilities (net of current portion)		
Operating lease liability	252,895	274,900
Deferred franchise revenue	130,436	123,179
Deferred tax liability	274,716	331,742
Total Long-term Liabilities	<u>658,047</u>	<u>729,821</u>
Total Liabilities	<u>\$ 1,376,854</u>	<u>\$ 1,316,144</u>
Stockholders' Equity		
Preferred shares -\$.001 par value; 4,000,000 authorized; no shares issued or outstanding as of May 31, 2026 and November 30, 2025	-	-
Preferred shares -\$.001 par value; 1,000,000 Series A authorized; no shares issued or outstanding as of May 31, 2026 and November 30, 2025	-	-
Common stock -\$.001 par value; 15,000,000 shares authorized; 8,466,953 shares issued and 7,263,508 shares outstanding as of May 31, 2026 and November 30, 2025	13,508,257	13,508,257
Additional paid-in capital	987,034	987,034
Treasury stock	(222,781)	(222,781)
Accumulated deficit	(10,719,914)	(10,808,058)
Total Stockholders' Equity	<u>3,552,596</u>	<u>3,464,452</u>
Total Liabilities and Stockholders' Equity	<u>\$ 4,929,450</u>	<u>\$ 4,780,596</u>

SEE ACCOMPANYING NOTES

BAB, Inc.
Consolidated Statements of Income
For the Three Months and Six Months ended May 31, 2026 and May 31, 2025
(Unaudited)

	Three months ended		Six months ended	
	May 31, 2026	May 31, 2025	May 31, 2026	May 31, 2025
REVENUES				
Royalty fees from franchised stores	\$ 520,020	\$ 511,879	\$ 985,908	\$ 969,073
Franchise Fees	7,117	3,583	15,200	12,166
Licensing fees and other income	69,111	65,975	120,872	140,353
Marketing fund revenue	207,441	227,049	405,372	444,095
Total Revenues	<u>803,689</u>	<u>808,486</u>	<u>1,527,352</u>	<u>1,565,687</u>
OPERATING EXPENSES				
Selling, general and administrative expenses:				
Payroll and payroll-related expenses	210,494	238,336	413,708	490,896
Occupancy	22,734	22,515	55,476	54,995
Advertising and promotion	966	758	2,001	1,841
Professional service fees	16,892	22,818	88,001	73,533
Travel	2,136	3,932	3,107	5,700
Employee benefit expenses	19,648	20,239	39,591	35,739
Depreciation and amortization	12,469	981	13,839	1,961
Marketing fund expenses	207,441	227,049	405,372	444,095
Other	63,482	71,100	106,084	108,990
Total Operating Expenses	<u>556,262</u>	<u>607,728</u>	<u>1,127,179</u>	<u>1,217,750</u>
Income from operations	<u>247,427</u>	<u>200,758</u>	<u>400,173</u>	<u>347,937</u>
Interest income	12,555	13,734	25,678	28,622
Income before provision for income taxes	<u>259,982</u>	<u>214,492</u>	<u>425,851</u>	<u>376,559</u>
Provision for income taxes				
Current tax expense	113,913	79,598	176,826	145,134
Deferred tax	(40,813)	(19,398)	(57,026)	(39,134)
Total Tax Provision	<u>73,100</u>	<u>60,200</u>	<u>119,800</u>	<u>106,000</u>
Net Income	<u>\$ 186,882</u>	<u>\$ 154,292</u>	<u>\$ 306,051</u>	<u>\$ 270,559</u>
Net Income per share - Basic and Diluted	<u>\$ 0.03</u>	<u>\$ 0.02</u>	<u>\$ 0.04</u>	<u>\$ 0.04</u>
Weighted average shares outstanding - Basic and diluted	7,263,508	7,263,508	7,263,508	7,263,508
Cash distributions declared per share	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ 0.04</u>

SEE ACCOMPANYING NOTES

BAB, Inc.
Condensed Consolidated Statements of Stockholders' Equity
For the Six Months ended May 31, 2026 and May 31, 2025
(Unaudited)

	Common Stock		Additional	Treasury Stock		Accumulated	Total
	Shares	Amount	Paid-In Capital	Shares	Amount	Deficit	
November 30, 2024	8,466,953	\$ 13,508,257	\$ 987,034	1,203,445	\$ (222,781)	\$ (10,931,292)	\$ 3,341,218
Dividends Declared (Note 1)	-	-	-	-	-	(290,541)	(290,541)
Net Income (Note 2)	-	-	-	-	-	270,559	270,559
May 31, 2025	8,466,953	\$ 13,508,257	\$ 987,034	1,203,445	\$ (222,781)	\$ (10,951,274)	\$ 3,321,236
November 30, 2025	8,466,953	\$ 13,508,257	\$ 987,034	1,203,445	\$ (222,781)	\$ (10,808,058)	\$ 3,464,452
Dividends Declared (Note 1)	-	-	-	-	-	(217,907)	(217,907)
Net Income (Note 2)	-	-	-	-	-	306,051	306,051
May 31, 2026	8,466,953	\$ 13,508,257	\$ 987,034	1,203,445	\$ (222,781)	\$ (10,719,914)	\$ 3,552,596

BAB, Inc.
Consolidated Statements of Cash Flows
For the Six Months ended May 31, 2026 and May 31, 2025
(Unaudited)

	May 31, 2026	May 31, 2025
Operating activities		
Net Income	\$ 306,051	\$ 270,559
Adjustments to reconcile net income to cash flows provided by operating activities:		
Depreciation and amortization	13,840	1,961
Deferred tax expense	(57,026)	(39,134)
Provision for credit losses, net of recoveries	-	(974)
Noncash lease expense	43,420	43,419
Changes in:		
Trade accounts receivable and notes receivable	(3,737)	6,434
Marketing fund contributions receivable	(5,004)	(2,876)
Prepaid expenses and other	62,124	33,169
Accounts payable	(4,652)	(228)
Accrued liabilities	(78,781)	(120,373)
Unexpended marketing fund contributions	190,436	127,037
Deferred revenue	29,050	(2,916)
Operating lease liability	(31,582)	(30,364)
Net Cash Provided by Operating Activities	<u>464,139</u>	<u>285,714</u>
Investing Activities		
Proceeds from sale of asset	-	4,500
Capitalized trademark costs	-	(2,181)
Net Cash Provided by Investing Activities	<u>-</u>	<u>2,319</u>
Financing activities		
Cash distributions/dividends	(217,907)	(290,541)
Net Cash Used In Financing Activities	<u>(217,907)</u>	<u>(290,541)</u>
Net Increase/(Decrease) in Cash and Restricted Cash	246,232	(2,508)
Cash and Restricted Cash - Beginning of Period	2,310,222	2,337,290
Cash and Restricted Cash - End of Period	<u>\$ 2,556,454</u>	<u>\$ 2,334,782</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ -	\$ -
Income taxes paid	<u>\$ 112,200</u>	<u>\$ 157,000</u>

SEE ACCOMPANYING NOTES

BAB, Inc.
Notes to Unaudited Consolidated Financial Statements
For the Six and Three Months ended May 31, 2026 and 2025
(Unaudited)

Note 1. Nature of Operations

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 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 May 31, 2026, the Company had 60 franchise units and 3 licensed units in operation in 18 states. There are 5 units under development. The Company additionally derives income from the sale of its trademark bagels, muffins and coffee through nontraditional channels of distribution including under licensing agreements.

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 Midwestern 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 Café”) 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 or MFM 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 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.

The Company has a minority interest in Athletes HQ Systems, Inc. (“AHQ”). AHQ franchises indoor baseball and softball practice and coaching facilities with knowledgeable instructors.

The accompanying condensed consolidated financial statements are unaudited. These financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been omitted pursuant to such SEC rules and regulations; nevertheless, the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements and the notes hereto should be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended November 30, 2025 which was filed February 24, 2026. In the opinion of the Company’s management, the condensed consolidated financial statements for the unaudited interim period presented include all adjustments, including normal recurring adjustments, necessary to fairly present the results of such interim period and the financial position as of the end of said period. The results of operations for the interim period are not necessarily indicative of the results for the full year.

2. Summary of Significant Accounting Policies

Unaudited Consolidated Financial Statements

The accompanying unaudited Condensed Consolidated Financial Statements of BAB, Inc. have been prepared pursuant to generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information and the rules and regulations of the United States Securities and Exchange Commission (the "SEC") for Form 10-Q. 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.

Use 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.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and treasury notes with banks and equity firms with original maturities of less than 90 days. The balance of bank accounts may, at times, exceed federally insured credit limits. The Company has not experienced any loss in such accounts and believes it is not subject to any significant credit risk related to cash at May 31, 2026.

Accounts Receivable and Notes Receivable

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

The Company considers its portfolio segments to be the following:

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

Notes Receivable: Notes receivable balances primarily relate to the conversion of (1) certain past due franchisee accounts receivable or (2) early franchise termination fees converted to notes receivable. These notes are usually not collateralized. Notes receivable prior to 2026 are reserved in their entirety and have specific reserves recorded against them amounting to \$49,350 as of May 31, 2026.

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

2. Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Notes Receivable (Continued)

Receivable balances by portfolio segment are as follows:

	May 31, 2026	November 30, 2025
Accounts Receivable (Franchisee Related)	\$ 68,185	\$ 54,796
Accounts Receivable (Vendor Related)	17,800	21,550
Notes Receivable	49,584	50,482
	135,569	126,828
Less: Allowance for Credit Losses	(49,350)	(49,350)
Total Receivables	86,219	77,478
Less: Current Portion	(86,219)	(77,478)
Long-Term Receivables	\$ -	\$ -

The Company's internal credit quality indicators for all portfolio segments primarily consider delinquency. The Company does not currently have any uncollateralized lease receivables. Past due lease receivables would be assigned an internal risk rating of Grade II-IV, depending on significance of delinquency. For uncollateralized notes receivable, the Company also considers the status of the franchisee note holder and the term of the note. Notes receivable from current franchisees are considered to have an elevated risk of credit loss based on their common origination from past due franchise accounts receivable but have some indication of collectability given ongoing operations (Internal Grade II). Notes receivable due from payers who no longer have an operating franchise are considered to have a high likelihood of credit loss (Internal Grade III). That likelihood increases if the note is outstanding for longer than one year (Internal Grade IV). At May 31, 2026, the note receivable due for 2025 is a current franchisee, all other notes receivable were due from former franchisees and have original terms over one year.

Changes in the allowance for credit losses during the six months ended May 31, 2026 and May 31, 2025 were as follows:

	Accounts Receivable (Franchise Related)	Accounts Receivable (Vendor Related)	Notes Receivable	Total
Balance at November 30, 2025	\$ -	\$ -	\$ 49,350	\$ 49,350
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Provision for Credit Losses	-	-	-	-
Balance at May 31, 2026	\$ -	\$ -	\$ 49,350	\$ 49,350

	Accounts Receivable (Franchise Related)	Accounts Receivable (Vendor Related)	Notes Receivable	Total
Balance at November 30, 2024	\$ -	\$ -	\$ 51,103	\$ 51,103
Write-offs	-	-	-	-
Recoveries	-	-	(974)	(974)
Provision for Credit Losses	-	-	-	-
Balance at May 31, 2025	\$ -	\$ -	\$ 50,129	\$ 50,129

2. Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Notes Receivable (Continued)

The Company considers a receivable past due 31 days after the payment due date. The delinquency status of receivables (other than accounts receivable) at May 31, 2026 was as follows:

	Current	0-30 days Past Due	30-60 days Past Due	Over 90 days past due	Total
Notes Receivable	\$ 15,110	\$ 831	\$ 831	\$ 31,995	\$ 48,767
	<u>\$ 15,110</u>	<u>\$ 831</u>	<u>\$ 831</u>	<u>\$ 31,995</u>	<u>\$ 48,767</u>

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

	2026	2025	2024	2023	Prior	Total
Risk rating						
Internal Grade I	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Internal Grade II	234	-	-	-	-	234
Internal Grade III	-	20,590	-	-	-	20,590
Internal Grade IV	-	-	17,886	-	10,874	28,760
Notes and Lease Receivables, Net of Unamortized Interest	<u>\$ 234</u>	<u>\$ 20,590</u>	<u>\$ 17,886</u>	<u>\$ -</u>	<u>\$ 10,874</u>	<u>\$ 49,584</u>

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 May 31, 2026 and 2025, 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.

Note 2 Summary of Significant Accounting Policies (Continued)

Prepaid Expenses and Other Current Assets

Other current assets include a minority investment in AHQ Systems, Inc. The shares were issued to BAB, Inc. as compensation for consulting services and were recorded at a value of \$2,250, based on fair market value at the time the services were performed. A total of 150,000 shares were issued, representing a 15% ownership interest. This is considered a related-party investment. Because the investment is immaterial, it has not been subsequently adjusted to fair market value.

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.

Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740, Income Taxes. Deferred tax assets and liabilities are classified as noncurrent on the balance sheet. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The benefits from net operating losses carried forward may be impaired or limited in certain circumstances.

The Company files a consolidated U.S. income tax return and tax returns in various state jurisdictions. Review of the Company's possible tax uncertainties as of November 30, 2025 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 six months ended May 31, 2026 and believes it has filed appropriate tax returns in all jurisdictions for which it has nexus.

The Company's income tax returns, which are filed as a consolidated return, for the years ending November 30, 2022, 2023 and 2024 are subject to examination by the IRS and corresponding states, generally for three years after they are filed.

Leases

The company accounts for leases under ASC 842, Leases. Lease arrangements are determined at the inception of the contract. Operating leases are included in operating lease right-of-use ("ROU") assets and other current 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.

Note 2 Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements

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

In November 2024, the Financial Accounting Standards Board issued Accounting Standards Update No. 2024-03, Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (“ASU 2024-03”), which requires public business entities to provide enhanced disclosures that disaggregate certain expense captions in the notes to the financial statements to improve transparency about components of expense categories such as purchases of inventory, employee compensation, depreciation, amortization and related items. ASU 2024-03 does not change the recognition or measurement of expenses presented on the face of the income statement, but will require additional tabular disclosures in the notes for annual and interim reporting periods. The guidance is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company has not adopted this standard and is currently evaluating the potential effect the standard will have on its consolidated financial statements disclosures.

On July 30, 2025 the FASB issued ASU 2025-05, “Measurement of Credit Losses for Accounts Receivable and Contract Assets”. The ASU relates to estimating credit losses under CECL for current accounts receivable and current contract assets arising from revenue transactions accounted for under ASC 606, Revenue from Contracts with Customers, including those acquired in a transaction accounted for under ASC 805, Business Combinations. The ASU does not apply to other types of accounts receivable and loans.

For all entities, the ASU provides a practical expedient to assume that current conditions as of the balance sheet date will persist through the reasonable and supportable forecast period for eligible assets. Entities will still be required to adjust historical data used in the estimation to reflect current conditions. The new guidance will be effective for interim and annual periods beginning after December 15, 2025 and is to be adopted on a prospective basis. The Company will adopt ASU 2025-05 for fiscal year ending November 30, 2027.

Management does not believe that there are any recently issued and effective or not yet effective accounting pronouncements as of May 31, 2026 that would have or are expected to have any significant effect on the Company’s financial position, cash flows or income statement.

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.

2. Summary of Significant Accounting Policies (Continued)

Statement of Cash Flows

The chart below shows the cash and restricted cash within the consolidated statements of cash flows as of May 31, 2026 and 2025 were as follows:

	May 31, 2026	May 31, 2025
Cash and cash equivalents	\$ 2,215,397	\$ 2,048,454
Restricted cash	341,057	286,328
Total cash and restricted cash	<u>\$ 2,556,454</u>	<u>\$ 2,334,782</u>

3. Revenue Recognition

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.

3. Revenue Recognition (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 franchisee. 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. During the three months and six months ended May 31, 2026, management reassessed its breakage estimate and recognized an additional \$16,877 and \$29,223 of income, respectively, based on the likelihood of the redemption of certain gift cards becoming remote.

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. 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 marketing fees are used for internal and external marketing services and expenditures benefiting franchisees system-wide as well as specific franchisees and are considered as a separate and distinct performance obligation. Contributions to the marketing fund are deferred and recognized as revenue as the underlying marketing expenditures are incurred, matching revenue to the marketing services delivered. 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 balance sheet includes marketing fund cash, which is the restricted cash, accounts receivable and unexpended marketing fund contributions.

3. Revenue Recognition (continued)

Disaggregation of Revenue

The following table presents disaggregation of revenue from contracts with customers:

	For three months ended May 31, 2026	For three months ended May 31, 2025	For six months ended May 31, 2026	For six months ended May 31, 2025
Revenue recognized at a point in time				
Sign Shop revenue	\$ 192	\$ 8,033	\$ 433	\$ 8,033
Settlement revenue	-	7,625	700	12,500
Total revenue at a point in time	192	15,658	1,133	20,533
Revenue recognized over time				
Royalty revenue	520,020	511,879	985,908	969,073
Franchise fees	7,117	3,583	15,200	12,166
License fees	3,378	5,978	6,756	11,956
Gift card revenue	17,577	639	30,739	14,197
Nontraditional revenue	47,964	43,700	82,244	93,667
Marketing fund revenue	207,441	227,049	405,372	444,095
Total revenue over time	803,497	792,828	1,526,219	1,545,154
Grand total	\$ 803,689	\$ 808,486	\$ 1,527,352	\$ 1,565,687

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.

	As of May 31, 2026	As of November 30, 2025
Liabilities		
Contract liabilities - current	\$ 552,370	\$ 362,836
Contract liabilities - long-term	130,436	123,179
Total Contract Liabilities	\$ 682,806	\$ 486,015

	For the Six Months Ended May 31, 2026	For the Year Ended November 30, 2025
Contracts at beginning of period	\$ 486,015	\$ 550,473
Revenue Recognized during period	(452,061)	(1,608,334)
Additions during period	648,852	1,543,876
Contracts at end of period	\$ 682,806	\$ 486,015

3. Revenue Recognition (continued)

Contract Balances (continued)

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

2026	\$	29,375 *
2027		27,150
2028		19,367
2029		18,078
2030		17,062
Thereafter		66,134
Total	\$	<u>177,166</u>

*represents the estimate for the remainder of 2026

4. Units Open and Under Development

Units which are open or under development are as follows:

	May 31, 2026	May 31, 2025
Stores open:		
Franchisee-owned stores	60	61
Licensed Units	<u>3</u>	<u>4</u>
	63	65
Unopened stores with Franchise Agreements	<u>5</u>	<u>4</u>
Total operating units and units with Franchise Agreements	<u>68</u>	<u>69</u>

5. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share:

	For the three months ended:		For the six months ended:	
	May 31, 2026	May 31, 2025	May 31, 2026	May 31, 2025
Numerator:				
Net income available to common shareholders	\$ 186,882	\$ 154,292	\$ 306,051	\$ 270,559
Denominator:				
Weighted average outstanding shares				
Basic and diluted common stock	7,263,508	7,263,508	7,263,508	7,263,508
Earnings per Share - Basic	<u>\$ 0.03</u>	<u>\$ 0.02</u>	<u>\$ 0.04</u>	<u>\$ 0.04</u>

6. Goodwill and Other Intangible Assets

Management reviewed and updated the qualitative assessment conducted during the second quarter 2026 and does not believe that any impairment exists.

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, 2024	\$ 1,493,771	\$ 461,445	\$ 13,272	\$ 1,968,488
Additions	-	-	4,049	4,049
Amortization expense	-	-	(4,081)	(4,081)
Net Balance as of November 30, 2025	\$ 1,493,771	\$ 461,445	\$ 13,240	\$ 1,968,456
Additions	-	-	-	-
Amortization expense	-	-	(13,240)	(13,240)
Net Balance as of May 31, 2026	\$ 1,493,771	\$ 461,445	\$ -	\$ 1,955,216

7. Lease Commitments

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

Monthly rent expense is recognized on a straight-line basis over the term of the lease. At May 31, 2026 the weighted average remaining lease term was 46 months. The lease amendment is reflected in the balance of the Lease Liability on the balance sheet at the present value of the lease payments using an 8.50% discount rate. The discount rate was considered to be an estimate of the Company's incremental borrowing rate.

Gross future minimum annual rental commitments as of May 31, 2026 are as follows:

	Undiscounted Rent Payments
Year Ending November 30:	
2026	\$ 49,254
2027	84,024
2028	96,163
2029	99,898
2030	36,827
Total Undiscounted Rent Payments	\$ 366,166
Present Value Discount	(54,268)
Present Value	\$ 311,898
Short-term lease liability	\$ 59,003
Long-term lease liability	252,895
Total Operating Lease Liability	\$ 311,898

* The obligation as presented, represents payments due between May 31, 2026 and the fiscal year end of November 30, 2026, which represents a partial year.

8. Income Taxes

For the three months ended May 31, 2026, the Company recorded current tax expense of \$113,913 and a deferred tax benefit of \$40,813, for a total tax provision of \$73,100, with an effective tax rate of 28.1%. For the six months ended May 31, 2026, the Company recorded current tax expense of \$176,826 and a deferred tax benefit of \$57,026, for a total tax provision of \$119,800, with an effective tax rate of 28.1%.

For the three months ended May 31, 2025, the Company recorded current tax expense of \$79,598 and a deferred tax benefit of \$19,398, for a total tax provision of \$60,200, with an effective tax rate of 28.1%. For the six months ended May 31, 2025, the Company recorded current tax expense of \$145,134 and a deferred tax benefit of \$39,134, for a total tax provision of \$106,000, with an effective tax rate of 28.1%.

9. Stockholder's Equity

On March 10, 2026, the Board declared a \$0.01 cash distribution/dividend per share, to stockholders of record on March 30, 2026, paid on April 20, 2026. On December 9, 2025 the Board declared a \$0.02 cash distribution/dividend per share, of \$0.01 quarterly and \$0.01 special, to stockholders of record as of December 30, 2025 paid January 21, 2026.

On September 9, 2025 the Board declared a \$0.01 quarterly cash distribution/dividend per share, to stockholders of record as of September 26, 2025, paid October 15, 2025. On June 6, 2025 the Board declared a \$0.01 quarterly cash distribution/dividend per share, to stockholders of record as of June 26, 2025, paid July 14, 2025. On March 7, 2025 the Board declared a \$0.01 quarterly cash distribution/dividend per share, to stockholders of record as of March 24, 2025, paid April 14, 2025. On December 4, 2024 the Board declared a \$0.03 cash distribution/dividend per share, \$0.01 quarterly and \$0.02 special, to stockholders of record as of December 23, 2024, paid January 9, 2025.

On May 6, 2013, the Board authorized and declared a dividend distribution of one right for each outstanding share of the common stock of the Company to stockholders of record at the close of business on May 13, 2013. Each right entitles the registered holder to purchase from the Company one one-thousandth of a share of the Series A Participating Preferred Stock of the Company at an exercise price of \$0.90 per one-thousandth of a Preferred Share, subject to adjustment. The complete terms of the Rights are set forth in a Preferred Shares Rights Agreement, dated May 6, 2013, between the Company and IST 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, other than exempt person as defined in the agreement, that acquires 15% (or 20% in the case of certain institutional investors who report their holdings on Schedule 13G) or more of the Common Shares without the approval of the Board. As a result, the overall effect of the Rights Agreement and the issuance of the Rights may be to render more difficult a merger, tender or exchange offer or other business combination involving the Company that is not approved by the Board. However, neither the Rights Agreement nor the Rights should interfere with any merger, tender or exchange offer or other business combination approved by the Board.

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

On June 18, 2014 an amendment to the Preferred Shares Rights Agreement was filed appointing American Stock Transfer & Trust Company, LLC as successor to Illinois Stock Transfer Company. All original rights and provisions remain unchanged. On August 18, 2015 an amendment was filed to the Preferred Shares Rights Agreement changing the final expiration date to mean the fifth anniversary of the date of the original agreement. All other original rights and provisions remain the same. On May 22, 2017 an amendment was filed extending the final expiration date to mean the seventh anniversary date of the original agreement. All other original rights and provisions remain the same. On February 22, 2019 an amendment was filed extending the final expiration date to mean the ninth anniversary date of the original agreement. All other original rights and provisions remain the same. On March 4, 2021 an amendment was filed extending the final expiration date to mean the eleventh anniversary date of the original agreement. All other original rights and provisions remain the same. On April 4, 2023 an amendment was filed extending the final expiration date to mean the fourteenth anniversary date of the original agreement. On November 19, 2025 an amendment was filed extending the final expiration date to mean the sixteenth anniversary date of the original agreement. All other original rights and provisions remain the same.

10. Subsequent Event

On June 5, 2026 the Board of Directors ("Board") declared a \$0.01 cash distribution/dividend per share, to stockholders of record as of June 23, 2026 payable July 14, 2026.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 contained herein regarding matters that are not historical facts, are forward-looking statements as is within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Because such statements include risks and uncertainties, actual results could differ materially from those expressed or implied by such forward-looking statements as set forth in this report, the Company's Annual Report on Form 10-K and other reports that the Company files with the Securities and Exchange Commission. 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 franchisees and 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

There are 60 franchised and 3 licensed units at May 31, 2026 compared to 61 franchised and 4 licensed units at May 31, 2025. System-wide revenues, meaning revenues for the entire franchise system, for the six months ended May 31, 2026 were \$20.3 million and May 31, 2025 was \$20.0 million.

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

Royalty fees 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.

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.

The Company earns licensing fees from the sale of BAB branded products, which includes coffee, cream cheese, muffin mix and frozen bagels from a third-party commercial bakery, to the franchised and licensed units.

As of May 31, 2026, the Company employed 10 full-time employees and one part-time employee at the Corporate office. The employees are responsible for corporate management and oversight, accounting, advertising and franchising. None of the Company's employees are subject to any collective bargaining agreements and management considers its relations with its employees to be good.

Results of Operations

Three Months Ended May 31, 2026 versus Three Months Ended May 31, 2025

For the three months ended May 31, 2026 and May 31, 2025, the Company reported net income of \$187,000 and \$154,000, respectively. Total revenue of \$804,000 decreased \$4,000, or 0.0%, for the three months ended May 31, 2026, as compared to total revenue of \$808,000 for the three months ended May 31, 2025.

Royalty fee revenue of \$520,000, for the quarter ended May 31, 2026, increased \$8,000, or 1.6%, from the \$512,000 for quarter ended May 31, 2026.

Franchise fee revenue was \$7,000, for the quarter ended May 31, 2026, increased \$3,000, or 75.0%, from \$4,000 for May 31, 2025. In the second quarter 2026 and 2025 there was no transfers and then both years had normal annual amortization. In the second quarter 2026, there was one store opening.

Licensing fee and other income increased to \$69,000 for the three months ended May 31, 2026, from \$66,000 for the three months ended May 31, 2025, an increase of \$3,000, or 4.5%. The increase was driven by an increase in gift card breakage revenue of \$18,000, offset by a decrease in sign shop revenue of \$8,000 and settlement revenue of \$8,000.

Marketing fund revenues were \$207,000 for the three months ended May 31, 2026, compared to \$227,000 for the three months ended May 31, 2025, a decrease of \$20,000, or 8.8%. The decrease in marketing fund revenues was offset by a corresponding \$20,000 decrease in marketing fund expenses.

Total operating expenses of \$556,000 for the quarter ended May 31, 2026 decreased \$52,000, or 8.6%, from \$608,000 for the quarter ended May 31, 2025. The decrease in 2026 operating expenses was primarily related to a decrease in payroll expenses of \$28,000, decrease in marketing fund expenses of \$20,000, and a decrease in professional service fees of \$6,000, partially offset by an \$11,000 increase in depreciation and amortization, and an decrease in other expenses of \$8,000 compared to the same period in 2025.

Interest income was \$13,000 for the quarter ended May 31, 2026, decreasing \$1,000, or 7.1%, from \$14,000 for the three months ended May 31, 2025.

For the three months ended May 31, 2026 and 2025, the provision for income tax was \$73,000 and \$60,000, respectively.

Earnings per share, as reported for basic and diluted outstanding shares, was \$0.03 and \$0.02 for the quarters ended May 31, 2026 and 2025, respectively.

Six Months Ended May 31, 2026 versus Six Months Ended May 31, 2025

For the six months ended May 31, 2026 and May 31, 2025, the Company reported net income of \$306,000 and \$271,000, respectively. Total revenue of \$1,527,000 decreased \$39,000, or 2.5%, for the six months ended May 31, 2026, as compared to total revenue of \$1,566,000 for the six months ended May 31, 2025. Our total revenue for the six months ended May 31, 2025 decreased compared to the prior period primarily due to a decrease in marketing fund expenses, which drive the recognition of marketing fund revenue. Under U.S. GAAP, we recognize marketing fund revenue at the time the related marketing fund expenses are incurred. As marketing fund revenue and expense directly offset each other in any given period, the decline has no impact on net income.

Royalty fee revenue of \$986,000, for the six months ended May 31, 2026, increased \$17,000, or 1.8%, from the \$969,000 for the six months ended May 31, 2025.

Franchise fee revenue was \$15,000, for the six months ended May 31, 2026, increasing \$3,000, or 17%, from \$12,000 for May 31, 2025. In the six months of 2026 there was one store opening compared to one transfer in the same period in 2025 with both years having normal monthly amortization. Licensing fee and other income of \$121,000, for the six months ended May 31, 2026, decreased \$19,000 or 13.6% from \$140,000 for same period 2025. Nontraditional revenue decreased \$12,000, sign shop revenue decreased \$8,000, license fee revenue decreased \$5,000, and settlement revenue decreased \$12,000, offset by an \$17,000 increase in gift card revenue in the six months ended May 31, 2026 compared to May 31, 2025. Marketing Fund revenues of \$405,000, for the six months ended May 31, 2026, decreased \$39,000, or 8.8% from \$444,000 for the six months ended May 31, 2025.

Management continues to review expenses and control costs in a time of rising costs. Total operating expenses of \$1,127,000, for the six months ended May 31, 2026, decreased \$91,000, or 7.5% from \$1,218,000 the six months ended May 31, 2025. Marketing expenses accounted for \$39,000 of the decrease for the six months of 2026 compared to same period 2025. There were decreases in expenses for May 31, 2026 compared to May 31, 2025 in payroll expenses of \$77,000 due to the retirement of an employee, offset by increases in professional services of \$14,000, in employee benefits of \$4,000, and an increase in depreciation and amortization of \$12,000.

Interest income was \$26,000 for the six months ended May 31, 2026, decreasing \$3,000, or 10.3% from \$29,000 for the six months ended May 31, 2025 primarily because of reduced short-term interest rates in the six months of 2026 compared to the same period 2025.

Earnings per share, as reported for basic and diluted outstanding shares, were \$0.04 for both the six ended May 31, 2026 and 2025.

Liquidity and Capital Resources

At May 31, 2026, the Company had working capital of \$1,974,000 and unrestricted cash of \$2,215,000. At May 31, 2025, the Company had working capital of \$1,733,000, and unrestricted cash of \$2,048,000.

During the six months ended May 31, 2026, the Company had net income of \$306,000 and operating activities provided cash of \$464,000. The principal adjustments to reconcile the net income to cash provided by operating activities for the six months ending May 31, 2026 was depreciation and amortization of \$14,000, and noncash lease expense of \$43,000, and a deferred tax reduction of \$57,000. In addition, changes in operating assets and liabilities increased cash by \$158,000.

During the six months ended May 31, 2025, the Company had net income of \$271,000 and operating activities provided cash of \$286,000. The principal adjustments to reconcile the net income to cash provided by operating activities for the six months ending May 31, 2025 was depreciation and amortization of \$2,000, and noncash lease expense of \$43,000, less provision for uncollectible accounts of \$1,000 and deferred tax reduction of \$39,000. In addition, changes in operating assets and liabilities increased cash by \$10,000.

During fiscal 2026, no funds were provided or used in investing activities. During fiscal 2025, net cash provided by investing activities was \$2,000.

Cash distributions/dividends used \$218,000 and \$291,000 in financing activities for the six months ending May 31, 2026 and 2025, respectively.

Cash Distribution and Dividend Policy

It is the Company's intent that future cash distributions/dividend payments will be considered after reviewing profitability expectations and financing needs and will be declared at the discretion of the Board of Directors. The Company will continue to analyze its ability to pay cash distributions/dividends on a quarterly basis. For 2026, a \$0.02 cash distribution/dividend was declared for the first quarter, a \$0.01 cash distribution/dividend was declared for the second quarter, and a \$0.01 cash distribution/dividend was declared for the third quarter.

Determination of whether distributions are considered a cash distribution, cash dividend or combination of the two will not be made until after December 31, 2026, as the classification or combination is dependent upon the Company's earnings and profits for tax purposes for its fiscal year ending November 30, 2026.

Recent Accounting Pronouncements

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

In November 2024, the Financial Accounting Standards Board issued Accounting Standards Update No. 2024-03, Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures ("ASU 2024-03"), which requires public business entities to provide enhanced disclosures that disaggregate certain expense captions in the notes to the financial statements to improve transparency about components of expense categories such as purchases of inventory, employee compensation, depreciation, amortization and related items. ASU 2024-03 does not change the recognition or measurement of expenses presented on the face of the income statement, but will require additional tabular disclosures in the notes for annual and interim reporting periods. The guidance is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company has not adopted this standard and is currently evaluating the potential effect the standard will have on its consolidated financial statements disclosures.

On July 30, 2025 the FASB issued ASU 2025-05, "Measurement of Credit Losses for Accounts Receivable and Contract Assets". The ASU relates to estimating credit losses under CECL for current accounts receivable and current contract assets arising from revenue transactions accounted for under ASC 606, Revenue from Contracts with Customers, including those acquired in a transaction accounted for under ASC 805, Business Combinations. The ASU does not apply to other types of accounts receivable and loans.

For all entities, the ASU provides a practical expedient to assume that current conditions as of the balance sheet date will persist through the reasonable and supportable forecast period for eligible assets. Entities will still be required to adjust historical data used in the estimation to reflect current conditions. The new guidance will be effective for interim and annual periods beginning after December 15, 2025 and is to be adopted on a prospective basis. The Company will adopt ASU 2025-05 for fiscal year ending November 30, 2027.

Management does not believe that there are any recently issued and effective or not yet effective accounting pronouncements as of May 31, 2026 that would have or are expected to have any significant effect on the Company's financial position, cash flows or income statement.

Critical Accounting Policies

The Company has identified other significant accounting policies that, as a result of the judgments, uncertainties, uniqueness and complexities of the underlying accounting standards and operations involved could result in material changes to its financial condition or results of operations under different conditions or using different assumptions. The Company's most critical accounting policies are related to revenue recognition, valuation of long-lived and intangible assets, deferred tax assets and the related valuation allowance. Details regarding the Company's use of these policies and the related estimates are described in the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2025, filed with the Securities and Exchange Commission on February 24, 2026.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

BAB, Inc. has no interest, currency or derivative market risk.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of both our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based on such evaluation, both our Chief Executive Officer and Chief Financial Officer have concluded that, as of May 31, 2026 our disclosure controls and procedures are 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.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) during the six months ending May 31, 2026 to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Compliance with Section 404 of Sarbanes-Oxley Act

The Company is in compliance with Section 404 of the Sarbanes-Oxley Act of 2002 (the "Act").

PART II

ITEM 1. 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, after consulting legal counsel, does not believe that the outcome of any of 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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

There was no adoption, modification or termination of any Rule 10b5-1 or non-Rule 10b5-1 plans by any Directors or Officers of the Company in the six months ended May 31, 2026.

ITEM 6. EXHIBITS

(a) EXHIBITS

The following exhibits are filed herewith.

INDEX NUMBER DESCRIPTION

[3.1 Articles of Incorporation \(See Form 10-KSB for year ended November 30, 2006 filed February 28, 2007\)](#)

[3.2 Bylaws of the Company \(See Form 10-KSB for year ended November 30, 2006 filed February 28, 2007\)](#)

[4.1 Preferred Shares Rights Agreement \(See Form 8-K filed May 7, 2013\)](#)

[4.2 Preferred Shares Rights Agreement Amendment No. 1 \(See Form 8-K filed June 18, 2014\)](#)

[4.3 Preferred Shares Rights Agreement Amendment No. 2 \(See Form 8-K filed August 18, 2015\)](#)

[4.4 Preferred Shares Rights Agreement Amendment No. 3 \(See Form 8-K filed May 22, 2017\)](#)

[4.5 Preferred Shares Rights Agreement Amendment No. 4 \(See Form 8-K filed February 25, 2019\)](#)

[4.6 Preferred Shares Rights Agreement Amendment No. 5 \(See Form 8-K filed March 8, 2021\)](#)

[4.7 Preferred Shares Rights Agreement Amendment No. 6 \(See Form 8-K filed April 4, 2023\)](#)

[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 Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)

101.SCH Inline XBRL Taxonomy Extension Schema

101.CAL Inline XBRL Taxonomy Extension Calculation

101.DEF Inline XBRL Taxonomy Extension Definition

101.LAB Inline XBRL Taxonomy Extension Labels

101.PRE Inline XBRL Taxonomy Extension Presentation

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURE

In accordance with the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BAB, Inc.

Dated: July 13, 2026

/s/ Geraldine Conn
Geraldine Conn
Chief Financial Officer

Exhibit 21.1

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 quarterly report on Form 10-Q 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: July 13, 2026

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 quarterly report on Form 10-Q 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 small business issuer 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 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: July 13, 2026

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") Quarterly Report on Form 10-Q for the period ended May 31, 2026 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: July 13, 2026

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") Quarterly Report on Form 10-Q for the period ended May 31, 2026, 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: July 13, 2026

By: /s/ Geraldine Conn

Geraldine Conn, Chief Financial Officer