BAB, INC.
Form 10QSB
April 14, 2006

FORM 10-QSB

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended: February 28, 2006

[ ] 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	36-4389547
(State or other jurisdiction of incorporation or organization)	(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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 x No __

As of April 7, 2006, BAB, Inc. had : 7,222,265 shares of Common Stock outstanding.

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PART I

ITEM 1. FINANCIAL INFORMATION

BAB, Inc.
Condensed Consolidated Balance Sheet
February 28, 2006
(Unaudited)

ASSETS	
Current Assets	
Cash	$
Restricted cash	
Receivables	
Trade accounts receivable (net of allowance for doubtful accounts of $73,763)	
Marketing Fund contributions receivable from franchisees and stores	
Notes receivable (net of allowance for doubtful accounts of $14,879)	
Inventories	
Prepaid expenses and other current assets	

Total Current Assets	

Property, plant and equipment, net	
Notes receivable (net of current portion)	
Trademarks	
Goodwill	
Other (net of accumulated amortization of $295,619)	

Total Noncurrent Assets	

Total Assets	$
	=======
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities	
Current portion of long-term debt	$
Accounts payable	
Accrued expenses and other current liabilities	
Unexpended Marketing Fund contributions	
Deferred franchise fee revenue	
Deferred revenue	

Total Current Liabilities	

Long-term debt net of current portion	
Deferred revenue net of current portion	

Total Noncurrent Liabilities	

Total Liabilities	

Stockholders' Equity (Deficit)	
Common stock	1
Additional paid-in capital	
Treasury stock	
Accumulated deficit	(9

Total Stockholders' Equity	

Total Liabilities and Stockholders' Equity	$

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

BAB, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	3 months ended	
	February 28, 2006	Februa
REVENUES		
Net sales by Company-owned stores	$ 143,113	$
Royalty fees from franchised stores	533,773	
Franchise fees	100,000	
Licensing fees and other income	199,289	
Total Revenues	976,175	
OPERATING EXPENSES		
Food, beverage and paper costs	50,193	
Store payroll and other operating expenses	145,358	
Selling, general and administrative expenses:		
Payroll-related expenses	380,037	
Occupancy	34,805	
Advertising and promotion	30,990	
Professional service fees	52,094	
Travel expenses	18,004	
Depreciation and amortization	17,692	
Other	123,703	
Total Operating Expenses	852,876	
Income from operations	123,299	
Interest income	649	
Interest expense	(8,684)	
Other income	400	
Income before provision for income taxes	$ 115,664	$
Provision for income taxes		
Current	--	
Deferred	--	
	--	
Net Income	$ 115,664	$
Net Income per share - Basic and Diluted	$0.02	
Weighted average number of shares outstanding - Basic	7,221,838	
Weighted average number of shares outstanding - Diluted	7,265,124	
Cash dividends per share	$0.08	

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

BAB, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	3 months ended	
	February 28, 2006	Februa
Cash Flows from Operating Activities		
Net Income	$ 115,664	$
Depreciation and amortization	17,692	
Provision for doubtful accounts (net of recoveries)	0	
Loss on sale or disposal of property and equipment	17,151	
Changes in:		
Trade accounts receivable	(17,432)	
Restricted cash	29,175	
Marketing Fund contributions receivable	(8,171)	
Inventories	14,393	
Prepaid expenses and other assets	27,906	
Accounts payable	(34,470)	
Accrued expenses and other current liabilities	(137,772)	
Deferred revenue	(83,415)	
Unexpended Marketing Fund Contributions	(21,399)	
Net Cash (Used in)Provided by Operating Activities	(80,678)	
Investing Activities		
Proceeds from notes receivable	48,205	
Purchases of property and equipment	(6,941)	
Proceeds from sale of property and equipment	5,000	
Net Cash Provided by Investing Activities	46,264	
Financing Activities		
Repayment of long-term debt	(60,129)	
Dividends paid	(577,781)	
Proceeds from exercise of stock options	5,490	
Net Cash Used in Financing Activities	(632,420)	
Net Decrease in Cash	(666,834)	
Cash, Beginning of Year	$ 2,206,524	$ 2
Cash, End of First Quarter	$ 1,539,690	$ 1
Supplemental disclosure of cash flow information:		
Interest paid	$ 5,571	$

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

BAB, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(Unaudited)

Note 1 - Nature of Operations

BAB, Inc. (the "Company") was incorporated under the laws of the State of Delaware on July 12, 2000. The Company currently operates, franchises and licenses bagel, muffin and coffee retail units under the Big Apple Bagels ("BAB"), My Favorite Muffin ("MFM") and Brewster's Coffee trade names. The Company additionally derives income from the sale of its trademark bagels, muffins and coffee through nontraditional channels of distribution, including license agreements and direct home delivery of specialty muffin gift baskets and coffee.

The Company has four wholly owned subsidiaries: BAB Systems, Inc. (Systems); BAB Operations, Inc. (Operations); Brewster's Franchise Corporation (BFC); and My Favorite Muffin Too, Inc. (MFM). Systems was incorporated on December 2, 1992, and was primarily established to franchise BAB specialty bagel retail stores. Operations was formed on August 30, 1995, primarily to operate Company-owned stores. There is currently one Company-owned store which serves as the franchise training facility. BFC was established on February 15, 1996 to franchise "Brewster's Coffee" concept coffee stores. MFM, a New Jersey corporation, was acquired on May 13, 1997. MFM franchises "MFM" concept muffin stores. The assets of Jacobs Bros. Bagels (Jacobs Bros.) were acquired on February 1, 1999. (See Note 6 in 10-KSB/A filed 4/14/06.)

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-KSB/A for the year ended November 30, 2005 which was filed April 14, 2006. In the opinion of the Company's management, the condensed consolidated financial statements for the unaudited interim periods presented include all adjustments, including normal recurring adjustments, necessary to fairly present the results of such interim periods 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. Stores Open and Under Development

Stores which are open or under development at February 28, 2006 are as follows:

Stores open:	
Company-owned	1
Franchisees	144
Licensed	4
Under Development	5
Total	154

3. Earnings per Share

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

	3 months ended	
	February 28, 2006	February 29, 2005
Numerator:		
Net income available to common shareholders	$ 115,664	$ 102,983
Denominator:		
Weighted average outstanding shares - Basic	7,221,838	7,150,603
Earnings per share - Basic	$0.02	$0.01
Effect of dilutive common stock equivalent shares - from stock options outstanding	43,286	158,326
Weighted average outstanding shares - Diluted	7,265,124	7,308,929
Earnings per share - Diluted	$0.02	$0.01

4. Long Term Debt

On June 25, 2004, the Company entered into a Business Loan and Security Agreement ("Bank Agreement") with Associated Bank which provides for a term loan in the original amount of $723,700. The term loan under the Bank Agreement is secured by substantially all of the assets of the Company and is being repaid in monthly installments of $21,900, including interest at a rate of 5.5 percent per annum, with final payment due July 1, 2007.

5. Stock Options

In May 2001, the Company approved a Long-Term Incentive and Stock Option Plan (Plan). The Plan reserves 1,400,000 shares of common stock for grant. A total of 1,185,000 stock options have been granted since Plan inception. In 2005, 2004, 2003 and 2002, 95,000, 115,000, 300,000 and 600,000 stock options, respectively, were granted to directors, officers and employees. On December 7, 2005, 75,000 options were granted, leaving 215,000 options available for grant. As of February 28, 2006, there were 960,951 stock options exercised or forfeited under the Plan.

	3 months ended	
	February 28, 2006	February 28, 2005
	Options	Options
Options Outstanding at beginning of period	163,034	258,486
Granted	75,000	75,000
Forfeited	(666)	(500)
Exercised	(13,319)	(132,784)
Options Outstanding at end of period	224,049	200,202

The Company uses the intrinsic method, as allowed by SFAS 123, "Accounting for

Stock-Based Compensation," to account for stock options granted to employees and directors. No compensation expense is recognized for stock options because the exercise price of the options is at least equal to the market price of the underlying stock on the grant date. The pro forma impact of utilizing the fair value method to account for stock-based employee compensation, on an annual basis is presented in Note 6 of the Company's audited financial statements presented in the 10-KSB/A filed April 14, 2006.

For those companies that do not elect to change their method of accounting for stock-based employee compensation, SFAS Statement No. 148 required increased disclosure of the pro forma impact of applying the fair value method to the reported operating results. The increased disclosure requirements apply to the Company's interim and annual financial statements. Had employee compensation expense for the Company's Plan been recorded in the financial statements, consistent with provisions of SFAS Statement No. 123, net income would have been reduced by $10,985 for the 3 months ended February 28, 2006 and $5,650 for the 3 months ended February 28, 2005 based on the Black-Scholes option-pricing model.

The following table illustrates the effect on net income and earnings per share:

	3 months ended	
	February 28, 2005	February 28, 2005
Pro forma impact of fair value method		
Reported net income	$ 115,664	$ 102,983
Less: fair value impact of employee stock compensation	(10,985)	(5,650)
Pro forma net income	$ 104,679	$ 97,333
Earnings per common share		
Basic and diluted - as reported	$ 0.02	$ 0.01
Basic and diluted- pro forma	$ 0.02	$ 0.01
Weighted average Black-Scholes fair value assumptions (new options issued)		
Risk free interest rate	4.39%	3.71%
Expected life	10.0 yrs	6.0 yrs
Expected volatility	1.228	1.530
Expected dividend yield	7.0%	5.0%

6. Goodwill and Other Intangible Assets

In accordance with SFAS No. 142, goodwill and indefinite-lived intangible assets are tested for impairment upon adoption of the standard and annually thereafter. SFAS No. 142 requires that goodwill be tested for impairment using a two-step process. The first step is to identify a potential impairment and the second step measures the amount of the impairment loss, if any. Goodwill is deemed to be impaired if the carrying amount of a reporting unit's net assets exceeds its estimated fair value. SFAS No. 142 requires that indefinite-lived intangible assets be tested for impairment using a one-step process, which consists of a comparison of the fair value to the carrying value of the intangible asset. Intangible assets are deemed to be impaired if the net book value exceeds the estimated fair value. The Company completed its annual goodwill impairment assessment during the first quarter ended February 28, 2006, and it indicated no impairment of goodwill.

Net intangible assets with definitive lives, representing master lease origination fees with an original cost of $95,382, totaled $9,763, net of accumulated amortization expense of $85,619, as of February 28, 2006.

Amortization expense of intangible assets with a definitive life for the first three months ended February 28, 2006 was $2,300. The estimated amortization expense on these intangible assets is $9,200 in 2006 and $2,900 in 2007.

7. Commitments and Contingencies

None

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-KSB 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 Company-owned 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 1 Company-owned store and 144 franchised and 4 licensed units at February 28, 2006. Units in operation at February 28, 2005 included 3 Company-owned stores and 149 franchised and 5 licensed units. System-wide revenues in the three months ended February 28, 2006 were $11.1 million as compared to February 28, 2005 which were $11.5 million.

The Company's revenues are derived primarily from ongoing royalties paid to the Company by its franchisees, from the operation of Company-owned stores and receipt of 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), and through licensing agreements (Chartwell, Kohr Bros. and Mrs. Fields Famous Brands).

At February 28, 2006, the Company had 19 employees at the Corporate level to oversee operations of the franchise, licensed and Company-owned store operations, as compared to 22 employees, including 1 part-time, at February 28, 2005.

Results of Operations

Three months Ended February 28, 2006 versus Three Months Ended February 28, 2005.

For the three months ended February 28, 2006, the Company reported net income of $116,000 versus net income of $103,000 for the same period in 2005. Total revenues decreased by $227,000, or 18.9% for the three months ended February 28, 2006, as compared to the same period in 2005, due to a decrease in Company-owned store revenues of $202,000, a decrease in royalty revenue of $7,000 and a decrease in licensing fee and other income of $88,000, offset by an increase in franchise fee revenue of $70,000.

The decrease of $202,000, in Company-owned stores for the first quarter 2006 as compared to same period 2005, was due to Company-owned stores sold or closed during 2005 and 2006.

Royalty revenue was down $7,000, or 1.3% for the three months ended February 28, 2006, as compared to the three months ended February 28, 2005. The Company had 149 franchise locations at February 28, 2005 as compared to 144 locations at February 28, 2006.

Franchise fee revenues increased by $70,000, in comparison to 2005. In the 3 months ended February 28, 2006, there were 4 new franchise store openings for revenue totaling $100,000 versus 3 transfers, a default and an early termination fee totaling $30,000 in the same period 2005.

Licensing fee and other revenue decreased by $88,000, or 30.6% in the first quarter of 2006 as compared to same period 2005. This decrease in 2006 revenues was the result of a decrease in Sign Shop revenues of $53,000, a decrease in sublease rental income of $16,000 due to the sublessee taking over the lease, a $17,000 loss from sale of assets from a closed Company-owned location and a decrease in license fee revenue of $2,000. Sign Shop revenue decreased because it benefited in the 1st Quarter of 2005 from work generated from the Franchise Convention held in the 4th quarter of 2004.

Company-owned store food, beverage and paper costs decreased $67,000, or 57.3%, in the first quarter of 2006 as compared to the same period 2005. Company-owned closed locations were responsible for $66,000 of the decrease. Under management's continued effort to reduce costs, the one operating Company-owned store location reduced direct expenses, $6,000, excluding cost of goods, going from $73,000 in 2005 to $67,000 in 2006.

Total operating expenses for the three months ended February 28, 2006 were $853,000, down $238,000, or 21.8%, from $1,091,000 for same period 2005. This decrease was primarily due to the closure of Company-owned stores in 2005 and 2006. Total operating expenses as a percent of revenues were 87.4% for the quarter ended February 28, 2006 versus 90.6% for the same period 2005.

Interest income decreased $2,000 because of lower notes receivable balances and interest expense decreased $3,000 because of lower outstanding debt balance in the first quarter 2006, compared to the same period 2005 (See note 4, Long Term Debt).

Net income per share as reported for basic and fully diluted outstanding shares for the three months ended February 28, 2006 is $0.02 versus $0.01 for February

28, 2005.

Liquidity and Capital Resources

The net cash used in operating activities totaled ($81,000) for the three months ended February 28, 2006, versus cash provided from operating activities of $109,000 for the same period 2005. Cash used in operating activities principally represents net income of $116,000, plus depreciation and amortization of $18,000, a loss on disposal of equipment of $17,000, reduction in restricted cash of $29,000, a reduction in inventories of $14,000 and a decrease in prepaid assets of $28,000. Uses of funds were provided by an increase to accounts receivable of ($17,000), an increase to Marketing Fund contributions receivable of ($8,000), a decrease in deferred revenue of ($83,000), a decrease in accrued expenses and other accrued liabilities ($138,000), a decrease in unexpended Marketing Fund contributions ($21,000) and a decrease in accounts payable of ($34,000).

Cash provided from investing activities during the first quarter of 2006 totaled $46,000, and was provided by collection of notes receivable of $48,000 and sale of equipment of $5,000, offset by purchases of equipment of ($7,000). Cash provided from investing activities during 2005 totaled $12,000, and was provided from collection of notes receivable.

Financing activities used ($632,000) during the first quarter of 2006, due to the repayment of notes payable of ($60,000) and the payment of cash dividends ($578,000), offset by proceeds from the exercise of stock options in the amount of $5,000. In fiscal 2005 for this same period, financing activities used ($609,000) due to repayment of notes payable of ($57,000) and payment of cash dividends of ($573,000), offset by proceeds from the exercise of stock options in the amount of $21,000.

It is the Company's intent that future dividends will be considered after reviewing returns to shareholders, 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 dividends on a quarterly basis.

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

Dividend Policy

Although there can be no assurances that the Company will be able to pay dividends in the future, it is the Company's intent that future dividends will be considered after reviewing returns to shareholders, 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 dividends on a quarterly basis.

The Company has no financial covenants on any of its outstanding debt.

Recent Accounting Pronouncements

In December 2003, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." This Statement, which is effective for years ending after December 15, 2003 amends SFAS No. 123, "Accounting for Stock-Based Compensation," and provides alternative methods of transition for a voluntary change to the fair value-based methods of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 regardless of the accounting method used to account for stock-based compensation. The Company has chosen to continue to account for stock-based compensation of employees using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. The effects of the enhanced disclosure provisions as defined by SFAS 148 are included in Note 5 of this report.

In December 2004, FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets-an amendment to APB Opinion No. 29." This Statement amends APB 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. Provisions of this Statement are effective for fiscal periods beginning after June 15, 2005. Adoption of SFAS No. 153 is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2004, the FASB issues SFAS No. 123(R), "Share-Based Payment." SFAS No. 123(R) establishes accounting standards for transactions in which a company exchanges its equity instruments for goods or services. In particular, this Statement will require companies to record compensation expense for all share-based payments, such as employee stock options, at fair market value. This Statement is effective as of the beginning of the first annual reporting period that begins after December 15, 2005 (the Company's period beginning December 1, 2006). Adoption of SFAS No. 123(R) is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, - a replacement of APB Opinion No. 20 and FASB Statement No. 3." This Statement replaces APB Opinion No. 20, "Accounting Changes," and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements," and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific transition provisions, those provisions should be followed. This Statement shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and correction of errors made in fiscal years beginning after the date this Statement is issued. Adoption of SFAS No. 154 is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Management has considered all other recently issued accounting pronouncements and does not believe that the adoption of such pronouncements will have a material impact on the Company's financial statements.

Critical Accounting Policies

The Company has identified significant accounting policies that, as a result of the judgements, 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 the following areas: revenue recognition, long-lived assets, concentrations of credit risks, valuation allowance and deferred taxes. Details regarding the Company's use of these policies and the related estimates are described in the Company's Annual Report on Form 10-KSB/A for the fiscal year ended November 30, 2005, filed with the Securities and Exchange Commission on April 14, 2006. There have been no material changes to the Company's critical accounting policies that impact the Company's financial condition, results of operations or cash flows for the three months ended February 28, 2006.

ITEM 3. CONTROLS AND PROCEDURES

Disclosure controls

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as amended) as of February 28, 2006. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on that evaluation, Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

Internal control over financial reporting

The Chief Executive Officer and the Chief Financial Officer confirm that there was no change in the Company's internal control over financial reporting during the quarter ended February 28, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) See index to exhibits

(b) REPORTS ON FORM 8-K

3/13/06 On March 10, 2006, the Board of Directors of BAB, Inc. authorized a $0.02 per share quarterly cash dividend. The dividend is payable April 13, 2006 to stockholders of record as of March 23, 2006.

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: April 14, 2006

/s/ Jeffrey M. Gorden

Jeffrey M. Gorden
Chief Financial Officer

INDEX TO EXHIBITS

(a) EXHIBITS

The following exhibits are filed herewith.

INDEX NUMBER	DESCRIPTION
21.1	List of Subsidiaries of the Company
31.1	Section 302 of the Sarbanes-Oxley Act of 2002 Certification of Chief Executive Officer
31.2	Section 302 of the Sarbanes-Oxley Act of 2002 Certification of Chief Financial Officer
32.1	Section 906 of the Sarbanes-Oxley Act of 2002 Certification of Chief Executive Officer
32.2	Section 906 of the Sarbanes-Oxley Act of 2002 Certification of Chief Financial Officer