JACLYN, INC.

OTC MARKETS GROUP
QUARTERLY UPDATE TO
ANNUAL DISCLOSURE STATEMENT

for the Fiscal Quarter ended November 30, 2014

Forward-Looking Statements

In order to keep stockholders and investors informed of the future plans of Jaclyn, Inc. (which, together with its subsidiaries, is referred to alternatively in this Quarterly Update to Annual Disclosure Statement, or this "Quarterly Update," as the "Company," "we," "us," and/or "our"), this Quarterly Update contains and, from time to time, other oral or written statements issued by us may contain, forward-looking statements concerning, among other things, our future plans and objectives that are or may be deemed to be forward-looking statements. However, forward-looking statements are subject to a number of known and unknown risks and uncertainties that may cause our actual results, trends, performance or achievements, or industry trends and results, to differ materially from the future results, trends, performance or achievements expressed or implied by such forward-looking statements. Those risks and uncertainties may include, but are not limited to, general economic and business conditions; competition; potential changes in customer spending; acceptance of our product offerings and designs; the variability of consumer spending resulting from changes in domestic economic activity; a highly promotional retail environment; any significant variations between actual amounts and the amounts estimated for those matters identified as our critical accounting estimates as well as other significant accounting estimates made in the preparation of our financial statements; and the impact of current and potential hostilities in various parts of the world; as well as other geopolitical concerns. You are urged to consider all such factors. In light of the uncertainty inherent in such forward-looking statements, you should not consider their inclusion to be a representation that such forward-looking matters will be achieved. We assume no obligation for updating any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward- looking statements.

Item 1. Exact name of the issuer and the address of its principal executive offices.

The exact name of the issuer is Jaclyn, Inc. The address of the issuer's principal executive offices is as follows:

Jaclyn, Inc.
197 West Spring Valley Avenue
Maywood, New Jersey 07607
Phone no.: (201) 909-6000
Fax no.: (201) 226-7801
Website: www.jaclyninc.com

The person responsible for our investor relations is Jaclyn Hartstein, Corporate Secretary, who may be reached as provided above or at jaclyn.hartstein@jaclyninc.com.

Item 2. Shares outstanding.

The following sets forth certain information concerning our authorized and outstanding shares of common stock as of November 30, 2014 (no shares of our preferred stock are outstanding):

No. of shares authorized:	5,000,000
No. of shares outstanding:	2,279,981
Freely tradable shares (public float):	976,457
Total number of beneficial holders:	175(1)
Total number of record holders:	100

(1) Beneficial holders are holders of shares of our common stock in street name, and the number of such holders is based on estimated information furnished to our transfer agent by Broadridge Financial Solutions, Inc. ("Broadridge"). Since actual historical information as to the total number of beneficial holders is not generally available, we have assumed that the total number of beneficial holders on November 30, 2014 is the same as the approximate number reported to us by our transfer agent as of June 19, 2014, the record date for our annual meeting of stockholders which was held on August 6, 2014.

Item 3. Interim financial statements.

The following unaudited condensed consolidated financial statements for the Company's fiscal quarter ended November 30, 2014 are attached to this Quarterly Report and are incorporated by reference herein:

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Item 4. Management's discussion and analysis or plan of operation.

Overview

The Company and its subsidiaries are engaged in the design, manufacture, distribution and sale of women's and children's apparel, and fabric handbags, sport bags, backpacks, cosmetic bags, and related products. Our apparel lines include women's loungewear, sleepwear, dresses and sportswear, and lingerie, as well as infants' and children's clothing. Our products are, for the most part, made to order, and are marketed and sold to a range of retailers, primarily national mass merchandisers.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in our financial statements and related notes. We believe the application of our accounting policies, and the estimates inherently required therein, are reasonable. These accounting policies and estimates are periodically evaluated for continued reasonableness, and adjustments are made when facts and circumstances dictate a change. Historically, we have found our application of accounting policies to be appropriate, and actual

results have not differed materially from those determined using necessary estimates. However, since future events and their impact cannot be determined with certainty, actual results may differ from our estimates, and such differences could be material to the consolidated financial statements.

Liquidity and Capital Resources

The net increase in cash and cash equivalents for the nine-month period ended November 30, 2014 of $116,000 was the result of funds provided by operating activities totaling $7,286,000, mostly offset by funds used in financing activities totaling $7,100,000 and by funds used in investing activities totaling $70,000.

Net cash provided by operating activities resulted primarily from a decrease in accounts receivable of $8,388,000 (due to a relatively lower level of sales in the current fiscal quarter compared to the last quarter of fiscal 2014) and a $1,729,000 increase in inventories (in anticipation of a higher level of shipments in the last fiscal quarter of fiscal 2015).

Net cash used in financing activities totaling $7,100,000 was entirely the result of net bank loan repayments under the Company's bank line of credit.

Net cash used in investing activities totaling $70,000 primarily reflects purchases of property and equipment.

The Company has a credit facility, which was amended effective September 1, 2014. The term of the credit facility has been extended until November 30, 2017 and, based on a borrowing formula, provides for revolving loans and the issuance of letters of credit in an aggregate amount not to exceed $50,000,000. Borrowings under the credit facility bear interest based on, at the Company's option: (a) the prime rate less 0.25%, or (b) a floating 30-day Libor rate, or a fixed Libor rate for interest periods of 1, 2, or 3 months, plus 200 basis points. The Company's non-real estate assets are pledged to the bank as collateral. The credit facility requires the Company to maintain minimum tangible net worth and interest coverage, as well as a debt to equity requirement, each measured annually. See Notes 7 and 10 to the Notes to Unaudited Condensed Consolidated Financial Statements.

At November 30, 2014 the Company had $15,233,000 of additional availability (based on the borrowing formula) under its credit facility. At November 30, 2014 the interest rate on borrowing was 2.16%, and the Company was contingently obligated on open letters of credit with an aggregate face amount of $6,739,000.

The Company believes that funds provided by operations, existing working capital, and the Company's bank line of credit should be sufficient to meet working capital needs for the next twelve months.

There were no material commitments for capital expenditures at November 30, 2014.

Contractual Obligations and Commercial Commitments

To facilitate an understanding of our contractual obligations and commercial commitments, the following data is provided as of November 30, 2014:

Payments Due by Period

Contractual Obligations (1)	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 years
Notes Payable (2)	$ 10,200,000	$ 10,200,000	$ -	$ -	$ -
Royalties	$ 150,000	$ 22,500	$ 127,500	$ -	$ -
Operating Leases	$ 9,268,000	$ 507,000	$3,326,000	$3,169,000	$2,266,000
Total Contractual Obligations	$ 19,618,000	$ 10,729,500	$3,453,500	$3,169,000	$2,266,000

(1) We currently enter into arrangements with vendors to purchase merchandise up to three months in advance of expected delivery. These purchase orders do not contain any significant termination payments or other penalties if cancelled.

(2) The notes payable balance does not include any amounts for future interest costs**.** The outstanding balance under our bank line of credit at January 8, 2015 was $2,400,000.

Amount of Commitment Expiration Per Period

Other Commercial Commitments	Total Amounts Committed	Within 1 Year	2-3 Years	4-5 Years	After 5 Years
Letters of Credit	$6,739,000	$6,739,000	-	-	-
Total Commercial Commitments	$6,739,000	$6,739,000	-	-	-

Off-Balance Sheet Arrangements

The Company is not a party to any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. The Company does not have any arrangements or relationships with entities that are not consolidated into the financial statements that are reasonably likely to materially affect the Company's liquidity or the availability of capital resources.

Results of Operations

Three-Month and Nine-Month periods ended November 30, 2014 compared to Three-Month and Nine-Month periods ended November 30, 2013

Net sales were $44,860,000 and $119,441,000 during the three and nine-month periods ended November 30, 2014, compared to $47,153,000 and $124,089,000 in the same three and nine-month periods during fiscal 2014. For the three and nine-month periods ended November 30, 2014, the Handbag category net sales were slightly higher (1.1 percent) and slightly lower

(1.1 percent), respectively, while net sales in the Apparel category declined 6.7% and 5.1%, respectively, in each case compared to last year's three and nine-month period net sales.

Sales by category were as follows:

Net sales for the Apparel category were $33,614,000 for the three-month period ended November 30, 2014, or $2,414,000 lower than last year's comparable three-month period. This 6.7% decrease was primarily due to an 18.9 % decrease in net sales in our women's sleepwear division, due to fewer orders from a significant customer, not offset by a 1.4% increase in net sales in our children's apparel division.

For the nine-month period ended November 30, 2014, net sales for the Apparel category were $79,050,000, or 5.1% lower than the same period in the prior fiscal year, due to decreases in net sales in both our children's apparel and women's sleepwear businesses attributable, in both instances, to fewer orders from significant customers in the current fiscal year's nine-month period compared to last year's comparable period.

Net sales totaling $11,246,000 for the Handbags category in the third quarter of fiscal 2015 represented a 1.1% increase compared to $11,125,000 in net sales for the same quarter in fiscal 2014. The third quarter net sales increase primarily reflected slightly higher net sales (about $1,200,000) in the premium incentive business for the third quarter, representing additional sales with an existing customer, versus last year's comparable third quarter, mostly offset by lower sales in the handbag business.

For the nine-month period ended November 30, 2014, net sales for the Handbags category were $40,391,000, a decrease of $436,000, or 1.1% lower than the prior comparable nine-month period. The net sales decrease relates primarily to increased premium incentive business mostly offset by lower handbag business, for the same reasons given above.

Gross margins were 20.9% and 19.7% in the three-month and nine-month periods ended November 30, 2014, compared to 20.0% and 19.6% in the comparable periods ended November 30, 2013. Gross margins by category were as follows:

Gross margin for the Apparel category increased to 23.8% in the three-month period ended November 30, 2014 from 22.0% in last year's fiscal third quarter. This increase was primarily the result of higher margins in the women's sleepwear business in the three-month period ended November 30, 2014, coupled with higher margins in the children's apparel business, both attributable to product mix. For the nine-month period ended November 30, 2014, gross margins for the Apparel category increased slightly to 21.8% from 21.7% in the prior comparable period due to slightly higher margins in the children's apparel business, not fully offset by slightly lower women's sleepwear margins, both attributable to product mix.

Gross margin for the Handbags category was lower in the third quarter of fiscal 2015 compared to last year's comparable third quarter ended November 30, 2013 (12.2% from 13.4%). This decrease was mainly due to lower margins in our handbag business and was not offset by slightly higher margins in our premium incentive business, in each case attributable

mostly to product mix. However, for the nine-month period ended November 30, 2014, gross margins for the Handbags category increased to 15.6% from 15.4% in the prior comparable period. While the handbag business had lower margins, our premium incentive business had higher margins for the nine-month period ended November 30, 2014 compared to the comparable nine-month period last year, and the weighted average effect, in this instance, resulted in the slight increase in the overall category.

Shipping, selling and administrative expenses for the three-month period ended November 30, 2014 decreased by $223,000 to $8,260,000, (however, shipping, selling and administrative expenses as a percentage of net sales rose to 18.4% of net sales from 18.0% in the prior year's comparable three-month period, due to the decrease in net sales compared to the same period in fiscal 2014). The net decrease in shipping, selling and administrative expenses for the three-month period ended November 30, 2014 compared to the comparable period last year was mainly due to lower product development expense totaling $242,000 (mostly sample related expenses), lower sales commission expenses totaling $174,000 and lower selling expense of $149,000, the result of decreased compensation, not fully offset by higher royalty expense of $147,000, and by a $137,000 increase in shipping and warehousing expense due to an increase in outside warehousing costs.

For the nine-month period ended November 30, 2014, shipping, selling and administrative expenses decreased by $996,000 to $23,037,000 (shipping, selling and administrative expenses as a percentage of net sales were slightly lower at 19.3 % from 19.4% in the prior year's comparable nine-month period). The net decrease in shipping, selling and administrative expenses for the nine-month period ended November 30, 2014, compared to the prior comparable period, mainly resulted from lower sales compensation and commissions totaling $644,000, lower product development expense totaling $746,000 (mostly sample related expenses), lower general and administrative expenses totaling $221,000 (due to lower compensation), partly offset by higher royalties of $304,000 and higher shipping and warehousing expense of $97,000, and also the result of miscellaneous income from a $257,000 insurance recovery for business interruption from Hurricane Sandy, which lowered expenses in the first nine-month period of last year.

Interest expense totaled $77,000 and $228,000 in the three and nine-month periods ended November 30, 2014, compared to $127,000 and $291,000 in the three and nine-month periods ended November 30, 2013, respectively. The decrease for both periods is primarily the result of a lower level of average borrowing to fund operations in the current three and nine-month periods ended November 30, 2014 versus last year's comparable periods.

For the three-month period ended November 30, 2014 the Company had earnings before income taxes of $1,046,000, compared to $811,000 for the same three-month period in 2013. The increase in earnings before income taxes was primarily attributable to lower selling general and administrative expenses, and by lower interest expense, not offset by lower net sales (with a slightly higher gross profit margin), as discussed above.

For the nine-month period ended November 30, 2014 the Company had earnings before income taxes of $275,000. This compares with pre-tax earnings in the prior year's comparable

nine-month period of $12,000. The nine-month period increase in earnings before income taxes was due to the same reasons discussed above for the comparable three-month periods.

For the three-month period ended November 30, 2014 the Company had net earnings totaling $573,000. This compares to net earnings for the three-month period ended November 30, 2013 of $460,000.

For the nine-month period ended November 30, 2014 the Company had net earnings totaling $145,000. This compares to net earnings for the nine-month period ended November 30, 2013 of $6,000.

Seasonality

The Company's business is subject to substantial seasonal variations. In that regard, our net sales and net earnings generally have been higher during the period from June to November (which now represents our second and third fiscal quarters) and coincides with sales to our customers for back-to-school and holiday shopping, while net sales and net earnings for the other months of our fiscal year are typically lower due, in part, to the traditional slowdown by our customers immediately following the winter holiday season. Accordingly, any significant decrease in back-to-school and winter holiday shopping could have a material adverse effect on our financial condition and results of operations. The Company's quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including, among other things, the timing of shipments to customers and economic conditions. The Company believes this is the general pattern associated with its sales to the retail industry and expects this pattern will continue in the future. Consequently, comparisons between quarters are not necessarily meaningful and the results for any quarter are not necessarily indicative of future results.

Item 5. Legal proceedings.

To the Company's knowledge, there are no current, past, pending or threatened legal proceedings or administrative actions either by or against the Company that, in the Company's opinion, could have a material effect on its business, financial conditions or operations, nor, to the Company's knowledge, are there any current, past, pending or threatened trading suspensions by a securities regulator.

Item 6. Defaults upon senior securities.

None.

Item 7. Other information.

None.

Item 8. Exhibits.

None.

Item 9. Certifications.

I, Robert Chestnov, President and Chief Executive Officer of Jaclyn, Inc., certify that:

1. I have reviewed this quarterly disclosure statement of Jaclyn, Inc.;

2. Based on my knowledge, this disclosure statement 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 made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this quarterly update.

Date: January 12, 2015

/s/ Robert Chestnov

I, Anthony Christon, Vice President and Chief Financial Officer of Jaclyn, Inc., certify that:

1. I have reviewed this quarterly disclosure statement of Jaclyn, Inc.;

2. Based on my knowledge, this disclosure statement 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 made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this quarterly update.

Date: January 12, 2015

/s/ Anthony Christon

JACLYN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)

	November 30, 2014 (Unaudited)	February 28, 2014 (See below)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,750	$ 1,634
Accounts receivable, net	24,932	33,281
Inventories	12,631	10,902
Prepaid expenses and other current assets	3,053	2,723
TOTAL CURRENT ASSETS	42,366	48,540
Property, plant and equipment, net	3,376	3,560
Notes receivable	993	993
Goodwill	3,338	3,338
Other assets	236	235
TOTAL ASSETS	$ 50,309	$ 56,666
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable – bank	$ 10,200	$ 17,300
Accounts payable	8,455	8,691
Other current liabilities	7,129	6,284
TOTAL CURRENT LIABILITIES	25,784	32,275
Other liabilities	1,729	1,740
COMMITMENTS AND CONTINGENCIES		
Stockholders' equity:		
Preferred stock, none issued and outstanding	-	-
Common stock	3,369	3,369
Additional paid-in capital	9,471	9,471
Retained earnings	17,881	17,736
	30,721	30,576
Less: Common shares in treasury at cost	7,925	7,925
TOTAL STOCKHOLDERS' EQUITY	22,796	22,651
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 50,309	$ 56,666

The February 28, 2014 Balance Sheet is derived from audited financial statements. See notes to condensed consolidated unaudited financial statements.

JACLYN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(In Thousands, Except Share and Per Share Amounts)

	Three Months ended November 30,		Nine Months ended November 30,	
	2014	2013	2014	2013
Net sales	$ 44,860	$ 47,153	$ 119,441	$ 124,089
Cost of goods sold	35,477	37,732	95,901	99,753
Gross profit	9,383	9,421	23,540	24,336
Shipping, selling and administrative expenses	8,260	8,483	23,037	24,033
Interest expense	77	127	228	291
Earnings before income taxes	1,046	811	275	12
Provision for income taxes	473	351	130	6
Net earnings	$ 573	$ 460	$ 145	$ 6
Net earnings per common share – basic	$ .25	$ .20	$ .06	$ .00
Weighted average number of shares outstanding - basic	2,280,000	2,280,000	2,280,000	2,280,000
Net earnings per common share – diluted	$ .25	$ .20	$ .06	$ .00
Weighted average number of shares outstanding - diluted	2,280,000	2,280,000	2,280,000	2,280,000

See notes to condensed consolidated unaudited financial statements.

JACLYN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In Thousands)

	Nine Months Ended November 30,	
	2014	2013
Cash Flows From Operating Activities:		
Net earnings	$ 145	$ 6
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	254	256
Allowance for doubtful accounts	(39)	13
Changes in assets and liabilities:		
Accounts receivable, net	8,388	(184)
Inventories	(1,729)	(5,615)
Prepaid expenses and other assets	(331)	(245)
Accounts payable and other current liabilities	598	2,695
Net cash provided by (used in) operating activities	7,286	(3,074)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(70)	(336)
Proceeds from Notes Receivable		1,466
Net cash (used in) provided by investing activities	(70)	1,130
Cash Flows From Financing Activities:		
Net (decrease) increase in notes payable - bank	(7,100)	1,600
Net cash (used in) provided by financing activities	(7,100)	1,600
Net increase (decrease) in Cash and Cash Equivalents	116	(344)
Cash and Cash Equivalents, beginning of period	1,634	998
Cash and Cash Equivalents, end of period	$ 1,750	$ 654
Supplemental Cash Flow Disclosures:		
Interest paid	$ 244	$ 286
Taxes paid	$ 91	$ 285

See notes to condensed consolidated unaudited financial statements.

JACLYN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED, In Thousands, except Share Amounts)
NINE MONTHS ENDED NOVEMBER 30, 2014

	Common Stock				Treasury Stock		
	Shares	Amount	Additional Paid In Capital	Retained Earnings	Shares	Amount	Total
Balance, February 28, 2014	3,368,733	$3,369	$9,471	$17,736	1,088,752	$7,925	$22,651
Net earnings	-	-	-	145	-	-	145
Balance, November 30, 2014	3,368,733	$3,369	$9,471	$17,881	1,088,752	$7,925	$22,796

See notes to unaudited condensed consolidated financial statements.

JACLYN, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 - SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Jaclyn, Inc. and its subsidiaries (the "Company") are engaged in the design, manufacture, marketing and sale of apparel, handbags, accessories and related products. The Company sells its products to retailers, including department and specialty stores, national chains, major discounters and mass volume retailers, throughout the United States.

The Company's fiscal year end is the last day of February.

Basis of Presentation

The accompanying unaudited condensed consolidated balance sheet as of November 30, 2014, the condensed consolidated statements of operations and the condensed consolidated statements of cash flows for the three and nine-month periods ended November 30, 2014 and 2013, respectively, and the condensed consolidated statements of stockholders' equity for the nine-month period ended November 30, 2014, have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 2014 Annual Disclosure Statement for the fiscal year ended February 28, 2014. The results of operations for the nine-month period ended November, 30, 2014 are not necessarily indicative of operating results for the full fiscal year.

Share-Based Compensation

The Company accounts for share-based compensation in accordance with Accounting Standards Codification 718, "Share Based Payment". Accordingly, the Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award, which if unvested will vest as the requisite service is rendered.

2 - STOCK OPTIONS

Stock-Based Compensation

The Company maintains the Jaclyn, Inc. 2007 Stock Incentive Plan, or the "2007 Plan," which was approved by stockholders in 2007. The 2007 Plan permits the Company to make grants of stock options, stock appreciation rights, or "SARs," restricted stock, restricted stock units, and stock awards to employees, as well as stock options, SARs, restricted stock, and restricted stock units to its non-employee directors. On October 6, 2009, a stock award of 150,000 shares of common stock was granted to one executive officer under the 2007 Plan, leaving 20,000 shares available for future awards under the 2007 Plan. In addition, at the Annual Stockholders Meeting held on December 1, 2009, the stockholders approved an additional 125,000 shares of common stock to be made available under the 2007 Plan.

On January 15, 2010, under the 2007 Plan, an additional stock award of 100,000 shares of common stock was granted to the same executive officer of the Company, of which 25,000 vested immediately and 25,000 shares vested on January 15th of each of the next three years. As of November 30, 2014, there were no unrecognized compensation costs remaining related to outstanding awards.

As of November 30, 2014 there were a total of 45,000 shares of common stock available for future grant under the 2007 Plan.

There were no stock award transactions during the three and nine-month period ended November 30, 2014.

3 – INVENTORIES

Inventories consist of the following components (in thousands):

	November 30, 2014	February 28, 2014
Raw Materials	$ 3	$ 3
Finished Goods	12,628	10,899
	$ 12,631	$ 10,902

JACLYN, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 - NET EARNINGS PER SHARE

The Company's calculation of Basic and Diluted Net Earnings Per Common Share follows (in thousands, except share amounts):

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2014	2013	2014	2013
Basic Net Earnings Per Common Share:				
Net Earnings	$ 573	$ 460	$ 145	$ 6
Basic Weighted Average Shares Outstanding	2,280,000	2,280,000	2,280,000	2,280,000
Basic Net Earnings Per Common Share	$.25	$.20	$.06	$.00

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2014	2013	2014	2013
Diluted Net Earnings Per Common Share:				
Net Earnings	$ 573	$ 460	$ 145	$ 6
Basic Weighted Average Shares Outstanding	2,280,000	2,280,000	2,280,000	2,280,000
Add: Dilutive Options	-	-	-	-
Diluted Weighted Average Shares Outstanding	2,280,000	2,280,000	2,280,000	2,280,000
Diluted Net Earnings Per Common Share	$.25	$.20	$.06	$.00

At November 30, 2014, there were no outstanding options to purchase shares of the Company's Common Stock.

5 - PROPERTY, PLANT AND EQUIPMENT

On June 17, 2011, the Company completed the sale to D.R. Mon Group, Inc. of the Company's former executive office and warehouse facility, plus one of the three parking lots, located in West New York, New Jersey. The properties were sold for an aggregate gross sales price of $4,145,588, of which $1,474,778 (before normal closing costs) was paid in cash at closing, and the remaining amounts were paid by the delivery to the Company at closing of a series of two-year promissory notes. As of November 30, 2014 all of the notes, except one, have been repaid in full. The maturity date of the remaining promissory note was extended until June 2015 as provided for in the promissory note. The obligations of the purchaser under the agreements are personally guaranteed by the purchaser, and the obligations under the promissory note are secured by a first priority mortgage on a portion of the properties sold by the Company.

One of the two remaining lots in West New York, New Jersey was sold for a gross cash price of $375,000 on January 20, 2012, and the remaining parking lot was sold for a gross cash price of $850,000 on November 15, 2012. With the sale of this last parking lot, the Company concluded the sale of its former real estate holdings in West New York, New Jersey.

6 - REPURCHASE OF SHARES FOR TREASURY

The Company previously announced that the Board of Directors authorized the repurchase by the Company of up to 475,000 shares of its common stock and the Company purchased 365,033 shares of common stock through the end of the second quarter of fiscal 2013. During the third quarter of fiscal 2013, the Company announced that the Board of Directors authorized the repurchase by the Company of an additional 240,033 shares of common stock (or a revised total of up to 350,000 shares of its common stock), which may be made from time to time in the open market, through privately negotiated transactions (subject to general market and other conditions), and may be made from both affiliates and control stockholders of the Company, and from unaffiliated stockholders of the Company. The Company intends to finance all such repurchases from its own funds from operations and/or from its bank credit facility. During the nine-month period ended November 30, 2014, the Company did not purchase any shares of common stock under this repurchase program.

As of November 30, 2014, the Company has purchased a total of 574,811 shares of its common stock at a cost of approximately $3,097,000 under this program.

7 - CREDIT FACILITIES

The Company has a credit facility, which was amended effective September 1, 2014. The term of the credit facility has been extended until November 30, 2017 and, based on a borrowing formula, provides for revolving loans and the issuance of letters of credit in an aggregate amount not to exceed $50,000,000. Borrowings under the credit facility bear interest based on, at the Company's option: (a) the prime rate less 0.25%, or (b) a floating 30-day Libor rate, or a fixed Libor rate for interest periods of 1, 2, or 3 months, plus 200 basis points. The Company's non-real estate assets are pledged to the bank as collateral. The credit facility requires the Company to maintain minimum tangible net worth and interest coverage, as well as a debt to equity requirement, each measured annually.

At November 30, 2014 the Company had $15,233,000 of additional availability (based on the borrowing formula) under its credit facility. At November 30, 2014 the interest rate on borrowing was 2.16%, and the Company was contingently obligated on open letters of credit with an aggregate face amount of $6,739,000.

8 - COMMITMENTS AND CONTINGENCIES

As of November 30, 2014, the Company leases office facilities under non-cancelable leases, with escalation clauses, that expire in various years through the fiscal year ending February 28, 2020.

Future minimum payments under non-cancelable operating leases with initial or remaining terms of one year or more are as follows (in thousands):

Year Ended Last Day of February	Office and Showroom Facilities
2015	$ 507
2016	1,693
2017	1,633
2018	1,620
2019	1,549
Thereafter	2,266
	$9,268

The Company has entered into licensing arrangements with several companies. Minimum royalties as of November 30, 2014 are as follows: $22,500 payable prior to the fiscal year ended February 28, 2015; $90,000 payable prior to the fiscal year ended February 28, 2016; and $37,500 payable prior to the fiscal year ended February 28, 2017.

8 - COMMITMENTS AND CONTINGENCIES (Continued)

From time to time, the Company and its subsidiaries may be subject to claims and may become a party to legal proceedings that arise in the normal course of business. At November 30, 2014, there were no material, pending legal proceedings or material claims to which the Company was a party.

The Company has not provided any financial guarantees as of November 30, 2014.

9 - INCOME TAXES

The Company files income tax returns in the U.S. federal jurisdiction and in various states and a foreign location. The U.S. federal and state filings for the fiscal years ended 2011 through 2014 and its foreign filings (Hong Kong) for the fiscal years ended 2010 through 2014 remain open for examination by the taxing authorities. The Company believes that its tax positions comply with applicable tax laws and that it has adequately provided for these matters. The Company does not believe it is reasonably possible that its unrecognized tax benefits will significantly change within the next twelve months.