JACLYN, INC.

OTC MARKETS GROUP
QUARTERLY REPORT

for the Fiscal Quarter ended May 31, 2015

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 Report as the "Company," "we," "us," and/or "our"), this Quarterly Report 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.

We are authorized to issue a total of 6,000,000 shares of capital stock. We are authorized to issue 5,000,000 shares of our common stock, and 1,000,000 shares of our preferred stock. No shares of preferred stock were issued or outstanding as of May 31, 2015. The following sets forth certain information concerning our authorized and outstanding shares of common stock as of May 31, 2015:

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:	174(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 May 31, 2015 is the same as the approximate number reported to us by our transfer agent as of June 19, 2015, the record date for our annual meeting of stockholders which is scheduled to be held on August 6, 2015.

Item 3. Interim financial statements.

The following unaudited condensed consolidated financial statements for the Company's fiscal quarter ended May 31, 2015 are attached to this Quarterly Report and are incorporated by reference herein:

	Page No.
Unaudited Condensed Consolidated Balance Sheets	9
Unaudited Condensed Consolidated Statements of Operations	10
Unaudited Condensed Consolidated Statements of Cash Flows	11
Unaudited Condensed Consolidated Statement of Stockholders' Equity	12
Notes to Condensed Consolidated Unaudited Financial Statements	13-17

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 decrease in cash and cash equivalents for the three-month period ended May 31, 2015 of $318,000 was the result of funds provided by operating activities totaling $7,714,000, and by funds provided from investing activities of $268,000, more than offset by funds used in financing activities totaling $8,300,000.

Net cash provided by operating activities resulted primarily from a decrease in accounts receivable of $7,164,000 (due to a relatively lower level of sales in the first quarter of fiscal 2016 compared to the last quarter of fiscal 2015), and a decrease in inventories totaling $3,053,000. These amounts were partly offset by a net decrease in accounts payable and other current liabilities totaling $1,188,000, (primarily due to payments for incentive commissions accrued as of February 28, 2015), increased prepaid expenses and other assets of $652,000, mostly from first quarter fiscal 2016 tax benefits, and from the net loss for the quarter totaling $747,000.

Net cash provided by investing activities totaling $268,000 reflects a $500,000 payment on the final outstanding principal balance ($992,657) of the remaining note regarding the sale of the Company's former West New York, New Jersey facility, which was offset, in part, by the purchase of property and equipment totaling $232,000.

Funds used in financing activities totaling $8,300,000 were the result of net bank payments under the Company's bank line of credit.

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 May 31, 2015 the Company had $14,547,000 of additional availability (based on the borrowing formula) under its credit facility. At May 31, 2015 the interest rate on borrowing was 2.18%, and the Company was contingently obligated on open letters of credit with an aggregate face amount of $6,292,000

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 May 31, 2015.

Contractual Obligations and Commercial Commitments

To facilitate an understanding of our contractual obligations and commercial commitments, the following data is provided as of May 31, 2015:

Payments Due by Period

Contractual Obligations (1)	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 years
Notes Payable (2)	$ 4,900,000	$ 4,900,000	$ -	$ -	$ -
Royalties	142,500	105,000	37,500	-	-
Operating Leases	7,595,000	1,566,000	3,747,000	1,822,000	460,000
Total Contractual Obligations	$ 12,637,500	$ 6,571,000	$ 3,784,500	$1,822,000	$ 460,000

(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 credit facility at July 7, 2015 was $6,100,000.

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	$ 6,292,000	$ 6,292,000	-	-	-
Total Commercial Commitments	$ 6,292,000	$ 6,292,000	-	-	-

Off-Balance Sheet Arrangements

The Company has not created, and is not a party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating the Company's business. 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 Months ended May 31, 2015 compared to Three Months ended May 31, 2014

Net sales were $33,276,000 and $31,590,000 during the three-month periods ended May 31, 2015 and May 31, 2014, respectively. For the three-month period ended May 31, 2015, the Apparel category net sales were 37.6% higher than last year's comparable three-month period. Net sales in the Handbag category decreased 27.9% compared to net sales in the comparable three-month period last year.

Sales by category were as follows:

Net sales for the Apparel category were $22,056,000 for the three-month period ended May 31, 2015, or $6,026,000 higher than the prior year's comparable three-month period. This 37.6% increase was primarily due to a 46.9% increase in orders in our children's apparel division, primarily due to the timing of shipments to one of its significant customers, and a 7.5% increase in our women's sleepwear business, the result of additional orders from existing customers.

Net sales totaling $11,220,000 for the Handbags category in the first quarter of fiscal 2016 reflects a decrease of $4,340,000 in net sales for the comparable quarter in the prior year. The Handbags category net sales decrease of 27.9% in the first quarter of the current fiscal year primarily reflected lower net sales in our premium incentive business (down 39.5%) due to fewer orders from one of its major customers, slightly offset by higher net sales in our smaller handbag business (up 33%), resulting from increased business from a significant customer.

Gross margins were 18.6% and 17.8% in the three-month periods ended May 31, 2015 and 2014, respectively. Gross margins by category were as follows:

Gross margin for the Apparel category increased to 22.4% in the three-month period ended May 31, 2015 from 16.8% in the comparable quarter ended May 31, 2014. The 5.6 percentage point increase was primarily the result of much higher margins in the children's apparel business due to product mix, not fully offset by lower margins in the women's sleepwear business attributable to more promotional sales and slightly higher customer allowances in the current three-month period compared to the same period last year.

Overall gross margin for the Handbags category in the first quarter of fiscal 2016 was lower at 11.3% compared to 18.7% in the comparable quarter last year. The premium incentive business experienced a gross margin decrease in the current fiscal year attributable primarily to more competitive price pressure from a significant customer, which was partly offset by an increase in our handbag business gross margins due to product mix.

For the three-month period ended May 31, 2015, shipping, selling and administrative expenses increased by $281,000 to $7,482,000. However, as a percentage of Net Sales, shipping, selling and administrative expenses decreased to 22.5% compared to 22.8% in the prior year comparable three-month period. The $281,000 increase in shipping, selling and administrative expenses was mainly due to higher shipping and warehousing costs totaling approximately $174,000, and by higher selling commissions of $131,000, both related to higher net sales in the current three-month period compared to last year's comparable first quarter period. Royalties and product development costs increased by $55,000 and $14,000, respectively, in the current three-month period compared to last year's comparable period. Selling expense decreased by approximately $136,000, mainly due to lower rent expense.

Interest expense totaling $51,000 in the first quarter of fiscal 2016 compared to $87,000 in the prior year's comparable quarter. The decrease is primarily the result of both a lower interest rate, and a lower level of average borrowing in the fiscal quarter ended May 31, 2015 compared to last year's comparable fiscal first quarter.

For the three-month period ended May 31, 2015 the Company had a loss before income taxes of $1,336,000. This compares with a pre-tax loss in the prior year's comparable quarter totaling $1,676,000, or a decrease of $340,000. The improvement in the three-month period ending May 31, 2015 loss before income taxes, was primarily the result of higher net sales and gross profit and lower interest expense, partly offset by higher selling, general and administrative expenses, as discussed above.

For the three-month period ended May 31, 2015 the Company had a net loss of $747,000. This compares with a net loss in the prior year's comparable quarter totaling $930,000.

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: July 9, 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: July 9, 2015

/s/ Anthony Christon

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

	May 31, 2015 (Unaudited)	February 28, 2015 (See below)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,053	$ 1,371
Accounts receivable, net	19,408	26,572
Inventories	10,796	13,849
Prepaid expenses and other current assets	3,487	2,700
TOTAL CURRENT ASSETS	34,744	44,492
Property, plant and equipment, net	3,359	3,211
Notes receivable, net of discount	493	993
Goodwill	3,338	3,338
Other assets	174	309
TOTAL ASSETS	$ 42,108	$ 52,343
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable – bank	$ 4,900	$ 13,200
Accounts payable	7,974	7,249
Other current liabilities	5,258	7,171
TOTAL CURRENT LIABILITIES	18,132	27,620
Other liabilities	1,830	1,830
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	17,231	17,978
	30,071	30,818
Less: Common shares in treasury at cost	7,925	7,925
TOTAL STOCKHOLDERS' EQUITY	22,146	22,893
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 42,108	$ 52,343

The February 28, 2015 Balance Sheet is derived from audited financial statements.

See notes to condensed consolidated unaudited financial statements.

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

	Three Months Ended May 31,	
	2015	2014
Net sales	$ 33,276	$ 31,590
Cost of goods sold	27,079	25,978
Gross profit	6,197	5,612
Shipping, selling and administrative expenses	7,482	7,201
Interest expense	51	87
	7,533	7,288
Loss before provision for income taxes	(1,336)	(1,676)
Income tax benefit	589	746
Net loss	$ (747)	$ (930)
Net loss per common share – basic	$ (.33)	$ (.41)
Weighted average number of shares outstanding - basic	2,280,000	2,280,000
Net loss per common share – diluted	$ (.33)	$ (.41)
Weighted average number of shares outstanding - diluted	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)

	Three Months Ended May 31,	
	2015	2014
Cash Flows From Operating Activities:		
Net loss	$ (747)	$ (930)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	84	85
Allowance for doubtful accounts	-	(52)
Changes in assets and liabilities:		
Accounts receivable, net	7,164	16,444
Inventories	3,053	(20)
Prepaid expenses and other assets	(652)	(1,039)
Accounts payable and other current liabilities	(1,188)	(1,614)
Net cash provided by operating activities	7,714	12,874
Cash Flows From Investing Activities:		
Purchase of property and equipment	(232)	(46)
Proceeds from Notes Receivable	500	-
Net cash provided by (used in) investing activities	268	(46)
Cash Flows From Financing Activities:		
Net decrease in notes payable - bank	(8,300)	(13,400)
Net cash used in financing activities	(8,300)	(13,400)
Net (decrease) increase in Cash and Cash Equivalents	(318)	(572)
Cash and Cash Equivalents, beginning of period	1,371	1,634
Cash and Cash Equivalents, end of period	$1,053	$1,062
Supplemental Cash Flow Disclosures:		
Interest paid	$ 64	$ 110
Taxes paid	$ 106	$ 68

See notes to condensed consolidated unaudited financial statements.

JACLYN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED, In Thousands, except Share Amounts)
THREE MONTHS ENDED MAY 31, 2015

	Common Stock				Treasury Stock		
	Shares	Amount	Additional Paid In Capital	Retained Earnings	Shares	Amount	Total
Balance, February 28, 2015	3,368,733	$3,369	$9,471	$17,978	1,088,752	$7,925	$22,893
Net loss	-	-	-	(747)	-	-	(747)
Balance, May 31, 2015	3,368,733	$3,369	$9,471	$17,231	1,088,752	$7,925	$22,146

See notes to condensed consolidated unaudited 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 in February.

Basis of Presentation

The accompanying unaudited condensed consolidated balance sheet as of May 31, 2015, the condensed consolidated statements of operations and the condensed consolidated statements of cash flows for the three-month periods ended May 31, 2015 and 2014, respectively, and the condensed consolidated statements of stockholders' equity for the three-month period ended May 31, 2015, 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 Annual Report for the fiscal year ended February 28, 2015. The results of operations for the three-month period ended May 31, 2015 are not necessarily indicative of operating results for the full fiscal year.

Stock-Based Compensation

The Company accounts for stock-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

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. As of May 31, 2015 there were no outstanding stock options or other awards under the 2007 Plan and a total of 45,000 shares of common stock are available for future grant under the 2007 Plan.

There were no stock award transactions during the three-month period ended May 31, 2015.

3 – INVENTORIES

Inventories consist of the following components (in thousands):

	May 31, 2015	February 28, 2015
Inventory Supplies	$ 3	$ 4
Finished Goods	10,793	13,845
	$ 10,796	$ 13,849

4 - 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 May 31, 2015 the Company had $14,547,000 of additional availability (based on the borrowing formula) under its credit facility. At May 31, 2015 the interest rate on borrowing was 2.18%, and the Company was contingently obligated on open letters of credit with an aggregate face amount of $6,292,000

5 - NET LOSS PER SHARE

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

	Three-Months Ended May 31, 2015	Three-Months Ended May 31, 2014
Basic Net Loss Per Common Share		
Net Loss	$(747)	$(930)
Basic Weighted Average Shares Outstanding	2,280,000	2,280,000
Basic Net Loss Per Common Share	$(.33)	$(.41)

	Three-Months Ended May 31, 2015	Three-Months Ended May 31, 2014
Diluted Net Loss Per Common Share		
Net Loss	$(747)	$(930)
Basic Weighted Average Shares Outstanding	2,280,000	2,280,000
Add: Dilutive Options	-	-
Diluted Weighted Average Shares Outstanding	2,280,000	2,280,000
Diluted Net Loss Per Common Share	$(.33)	$(.41)

At May 31, 2015, there were no outstanding options to purchase shares of the Company's Common Stock.

6 - 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. 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 the last parking lot, the Company concluded the sale of its former real estate holdings in West New York, New Jersey.

6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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.

On May 14, 2015, D. R. Mon Group, Inc. made a $500,000 payment on the final outstanding principal balance ($992,657) of the remaining note. The Company has agreed to extend the maturity date of this note by three months, from June 15, 2015 to September 15, 2015.

7 - REPURCHASE OF SHARES FOR TREASURY

The Company previously announced that the Board of Directors authorized the repurchase by the Company of up to 715,033 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. The Company intends to finance all such repurchases from its own funds from operations and/or from its bank credit facility. During the three-month period ended May 31, 2015, the Company did not purchase any shares of common stock under this repurchase program.

As of May 31, 2015, the Company has purchased a total of 574,811 shares of its common stock under this program at a cost of approximately $3,097,000.

8 - COMMITMENTS AND CONTINGENCIES

As of May 31, 2015, the Company leases office facilities under non-cancelable leases, with escalation clauses, that expire in various years through the fiscal year ending February 29, 2023.

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
2016	$ 1,566
2017	2,028
2018	1,719
2019	1,523
2020	299
Thereafter	460
	$7,595

The Company has entered into licensing arrangements with several companies. Minimum royalties as of May 31, 2015 are as follows: $105,000 payable prior to the fiscal year ended February 28, 2016; $37,500 payable prior to the fiscal year ended February 28, 2017.

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 May 31, 2015 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 May 31, 2015.