JACLYN, INC.

OTC MARKETS GROUP
ANNUAL REPORT
for the Fiscal Year ended February 29, 2016

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 Annual Disclosure Statement, or this "Statement," as the "Company," "we," "us," and/or "our"), this Statement 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.

Part A: General Company Information

Item 1. The exact name of the issuer and its predecessor (if any).

The exact name of the issuer is Jaclyn, Inc.

Item 2. The address of the issuer's principal executive offices.

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, Secretary, who may be reached as provided above or at jaclyn.hartstein@jaclyninc.com.

Item 3. The jurisdiction(s) and date of the issuer's incorporation or organization.

The Company was incorporated in the State of Delaware on August 9, 1968.

Part B: Share Structure

Item 4. The exact title and class of securities outstanding.

The only class of outstanding securities is our common stock. Our trading symbol on the OTCQX[SM] is "JCLY" and our CUSIP number is 469772-20-6.

Item 5. Par or stated value and description of the security.

A. *Par or Stated Value.* The par value per share of our common stock and our preferred stock is $1.00.

B. *Common or Preferred Stock.* No shares of preferred stock are outstanding. Each holder of common stock has one vote in respect for each share of common stock held by that holder on all matters voted upon by our stockholders and is entitled to receive dividends only if and as declared by our Board of Directors.

Item 6. The number of shares or total amount of the securities outstanding for each class of securities authorized.

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 at any time during the twelve-month periods ended February 29, 2016 or February 28, 2015. The following sets forth certain information concerning our authorized and outstanding shares of common stock as at the last day of each of our last two fiscal years:

As at February 29, 2016	**As at February 28, 2015**
No. of shares authorized: 5,000,000	No. of shares authorized: 5,000,000
No. of shares outstanding: 2,193,681	No. of shares outstanding: 2,279,981
Freely tradeable shares (public float): 890,157	Freely tradeable shares (public float): 976,457
Total number of beneficial holders: 174(1)(2)	Total number of beneficial holders: 175(1)(2)
Total number of record holders: 72	Total number of record holders: 100

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(1) Beneficial holders are holders of shares of our common stock in street name. 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 (a) on February 29, 2016 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 was held on August 6, 2015, and (b) on February 28, 2015 is the same as the approximate number reported to our transfer agent as of June 19, 2014, the record date for our annual meeting of stockholders which was held on August 6, 2014.

(2) Individual information as to the ownership by beneficial holders of our common stock in street name is not generally available. However, based on recent information provided

to us by Broadridge and our transfer agent, we believe there are at least 100 beneficial holders each owning at least 100 shares of our common stock.

Part C: Business Information

Item 7. The name and address of the transfer agent.

The name and address of our transfer agent is as follows:

Continental Stock Transfer & Trust Company
17 Battery Place
New York, New York 10004
Telephone No.: (212) 509-4000

Continental Stock Transfer & Trust Company is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Item 8. The nature of the issuer's business.

Our Business. The Company was incorporated in the State of Delaware in 1968. The Company and its subsidiaries are primarily engaged in the design, manufacture, distribution and sale of women's and children's apparel (collectively, "apparel products"), and vinyl, leather and fabric handbags, sport bags, backpacks, cosmetic bags, and related products (collectively, "handbag products"). Our fiscal year end is the last day in February, and our SIC Codes are 5137 and 3100. We are not, and have never been, a shell company within the meaning of Rule 405 of the Securities Act of 1933, as amended.

Styling is an important factor in the merchandising of all of our products. Our staff of full-time designers study fashion trends in order to anticipate consumer demand. Our design staff works closely with the purchasing department to determine concepts and fabrics for apparel products, as well as the styling and material components for handbag products. Our design staff also works with the production and engineering staffs to determine the costs of production and the technical problems involved in producing a new style. We change most of our designs from season to season.

We do not own or operate manufacturing facilities. All of our products are manufactured by outside contractors. Finished merchandise is received at independently owned outside warehouses located in California and New Jersey. From these locations, products are shipped under different selling names to customers all over the United States. We sell our products throughout the United States using both our own salespersons and independent sales representatives. Certain handbag and apparel products manufactured in the Far East are shipped directly to customers from Hong Kong. We market our apparel and handbag products primarily through general merchandise, retail chain stores and department stores.

We manufacture and market apparel products under the trade names "Topsville", "Miniville", "Kidtopia", "I. Appel," "Smart Time," "Jaclyn Apparel", "Ande," and "Emerson Road," each of which we own. We also manufacture apparel items for sale as private-label merchandise. In addition, during our fiscal year ended February 29, 2016 (sometimes referred to

in this Statement as "fiscal 2016") we were, and we are presently, licensed to manufacture and market children's apparel products using the name "Garanimals®" under a license which expired on February 29, 2016, and using the names "Mini Rocket™", "Tiny Rocket™" and "Charlie Rocket®" under an agreement which expires July 31, 2016. We also market our handbag products under trademarks and trade names that we own, including "Shane".

Sales of apparel items during fiscal 2016, our fiscal year ended February 28, 2015 (which we sometimes refer to in this Statement as "fiscal 2015"), and our fiscal year ended February 28, 2014 (which we sometimes refer to in this Statement as "fiscal 2014") represented 72%, 70% and 71% of our consolidated net sales, respectively, while in each case sales of handbag products represented the remainder of our consolidated net sales. We customarily offer our customers credit terms. We do not have long-term contracts with any of our customers.

Our imports of apparel products and handbag products accounted for substantially all of our consolidated net sales in our last three fiscal years. Imports offer us the benefit of diversification of styling and the benefit of cost savings related to such purchases. While our operations are subject to the usual risks associated with purchases from foreign countries, our other foreign and domestic manufacturing sources provide us with alternative sources and facilities.

Our international operations are conducted by our subsidiary, Bonnie International (Hong Kong) Ltd., and consist of offices in Hong Kong, and Shanghai and Dongguan, China. Personnel in our foreign offices coordinate and track orders for products, invoice certain shipments and conduct inspections of the factories of outside contractors in the Far East who manufacture our products.

Approximately 78% of the Company's consolidated net sales for fiscal 2016 were to general merchandise, chain, and department store retailers, and approximately 76% and 74% of the Company's consolidated net sales for fiscal 2015 and fiscal 2014, respectively, were to such retailers. In each case, the balance consisted of sales to smaller specialty shops, smaller retail stores and cosmetic companies. During fiscal 2016, two of our customers accounted for approximately 56% of our consolidated net sales. The same two customers accounted for approximately 51% of our consolidated net sales in fiscal 2015 and 44% of our consolidated net sales during fiscal 2014. In addition, during fiscal 2016, fiscal 2015 and fiscal 2014, a third customer accounted for approximately 14%, 19% and 18% of consolidated net sales, respectively. We believe that the loss of any of these customers would have a material adverse effect on our results of operations.

We deal with a number of sources for our purchases of finished apparel, handbags and related products. Our top two sources each accounted for approximately 10% of our total cost of goods sold during fiscal 2016. We have no long-term supply contracts with our Far East or European sources of finished handbags and related products or apparel items and we are subject to the usual risks associated with that. While we have no long-term supply contracts, because the finished products are available from various sources, we anticipate no difficulty in the future in obtaining finished product necessary for our business.

We offer Fall/Winter, Holiday and Spring/Summer product lines and, in almost all instances, manufacture products to meet the specific requirements of our customers. Our business is subject to seasonal variations. Consistent with what we believe is the general pattern associated with sales to the retail industry, our results of operations are somewhat more meaningful on a seasonal basis, rather than on a quarterly basis. In that regard, our net sales and net earnings generally have been higher during the period from June to November, during which time our customers generally increase inventory levels in anticipation of both back-to-school and holiday sales. Net sales and net earnings for the other months of our fiscal year typically have been lower due, in part, to the traditional slowdown by our customers immediately following the winter holiday season. However, our results of operations may also fluctuate significantly as a result of a number of other factors, including the timing of shipments to customers and general economic conditions. Accordingly, comparisons between seasons or quarters may not necessarily be meaningful, and the results for any one quarter or season are not necessarily indicative of future quarterly results or of full-year performance.

At February 29, 2016, we employed 225 persons, of whom 189 were salaried employees and the balance of whom were paid on an hourly basis.

We compete with numerous domestic and foreign manufacturers of apparel items and handbag products, and we believe our sales of apparel items and handbag products are not significant in light of total apparel and handbag industry sales. Our business is dependent, among other things, on our ability to anticipate and respond to changing consumer preferences, to remain competitive in price, style and quality, and to meet our customers' various production and delivery requirements. While some competitors may be larger or may have greater resources than ours, we believe that our size and financial position will allow us to continue to respond to changes in consumer demand and remain competitive.

We did not spend any material dollar amounts on research and development activities during our last two fiscal years. There is no material effect on us to comply with existing and, to our knowledge, probable applicable governmental regulation of our business, including any governmental approvals, or the costs and effects of compliance with applicable federal, state and local environmental laws.

Our Subsidiaries: Our subsidiaries are listed below:

Name	Jurisdiction of Organization	Percentage Ownership by the Company
Bonnie International (Hong Kong) Ltd.	Hong Kong	100%
Bonnie Shanghai Sourcing Company, Ltd.	Hong Kong	100%
Aetna Handbags of Haiti, S.A.*	Haiti	100%
Bonlyn Taiwan Co., Ltd.*	Taiwan	100%
Cosmopolitan of Haiti, S.A.*	Haiti	100%
The Bag Factory Inc.*	New Jersey	100%
Max N. Nitzberg, Inc.	Pennsylvania	100%
Topsville, Inc.	Florida	100%
JLN, Inc.*	Delaware	100%
Topsville FL, LLC*	Florida	100%

*Inactive

As we noted above, our international operations are conducted by our subsidiary, Bonnie International (Hong Kong) Ltd., and consist of offices in Hong Kong, Shanghai and Dongguan, China. Personnel in our foreign offices coordinate and track orders for products, invoice certain shipments and conduct inspections of the factories of outside contractors in the Far East who manufacture our products. Max N. Nitzberg, Inc. conducts no business or operations; its primary assets are the shares of capital stock of Topsville, Inc., which is an importer and distributor of children's apparel products.

Item 9. The nature of products or services offered.

We refer to the information contained under Item 8 above in this Statement for information on the nature or our products and services offered.

Item 10. The nature and extent of the issuer's facilities.

We own a corporate office building containing approximately 16,000 square feet in Maywood, NJ, to which we relocated our executive offices from West New York, NJ in May 2007. In addition, we also lease four office and showroom facilities, totaling approximately 32,000 square feet, in New York City under leases that expire from 2015 to 2022, as well as a facility in Miramar, Florida for our Topsville operations with approximately 5,000 square feet of office space under a lease which expires in 2020. We also lease three offices in Hong Kong, Shanghai and Dong Guan, China, respectively, aggregating approximately 18,000 square feet.

Part D: Management Structure and Financial Information

Item 11. The name of the chief executive officer, members of the board of directors, as well as control persons.

Officers and Directors: The following sets forth certain information concerning our executive officers and directors as of February 29, 2016:[1]

Allan Ginsburg has been Chairman of the Board of the Company since November 29, 1988.

Robert Chestnov has been the President and Chief Executive Officer of the Company since November 29, 1988.

Howard Ginsburg has been Vice Chairman of the Board of the Company since November 29, 1988.

Richard Chestnov has been a private investor for more than the last five years.

Mr. Safer has been President of Safer Holdings (formerly Safer Textiles), a textile mill, for more than the past five years. Mr. Safer has also served President of Safer Development and Management, which is engaged in real estate development and management, during the past five years.

Norman Axelrod has been Chairman of Guitar Center, a retailer of musical instruments, since April 2014, and also has served as Chairman of Floor and Décor, a specialty retailer of hard surface flooring, since June 2010. From February 2007 until July 2012, he was Chairman of the Board of Directors of General Nutrition Centers, Inc., a specialty retailer of health and wellness products, and certain affiliated companies. From March 2006 to February 2007, Mr. Axelrod was a private investor. From 2000 until March 2006, Mr. Axelrod served as Chairman and Chief Executive Officer of Linens 'n Things, Inc., a leading, national large format retailer of home textiles, housewares and home accessories. Mr. Axelrod also serves as a director of 99¢ Only Stores, Smart & Final, and Neiman Marcus Group.

Anthony Christon has been Chief Financial Officer of the Company for more than the past five years.

Aggregate cash compensation (salary and bonus) paid to our executive officers for services rendered during the twelve-month period ended February 29, 2016 was as follows: Robert Chestnov $802,600; Allan Ginsburg $640,600; Howard Ginsburg $640,600 and Anthony Christon $428,050. No stock options or other stock-based awards were granted to any executive officer for the twelve-month period ended February 29, 2016.

Each non-employee director receives an annual fee of $20,000 for serving as a director, and each also is reimbursed for his out-of-pocket expenses to attend board meetings in person.

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[1] The business address for each director and executive officer is 197 West Spring Valley Avenue, Maywood, New Jersey 07607.

Except as may otherwise be determined by the Board in particular instances, non-employee directors generally do not receive a separate fee for attendance at meetings of the Board or meetings of any committee on which they serve. Members of the Board who are also employees of the Company are not separately compensated for their service on the Board. During the twelve-month period ended February 29, 2016, compensation paid to our current directors was as follows: Richard Chestnov—$20,000; Albert Safer—$20,000; and Norman Axelrod; $20,000.

Ownership of Common Stock by Executive Officers and Directors. The following table sets forth certain information as of February 29, 2016 with respect to the beneficial ownership of our common stock by each of our directors and executive officers:

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percentage Ownership
Allan Ginsburg	129,361(2)(3)	5.9%
Robert Chestnov	376,876(2)(4)	17.2%
Howard Ginsburg	116,670(2)(5)	5.3%
Richard Chestnov	59,273(6)	2.7%
Albert Safer	--	--
Norman Axelrod	--	--
Anthony Christon	7,500	*

* Less than one (1%) percent.

(1) Except as otherwise indicated below, each person named above has sole voting and dispositive power with respect to shares indicated as beneficially owned by such person or group.

(2) Such stockholder, along with certain of his family members, trusts and custodianships for the benefit of such stockholder and his family members, and the Company are parties to an amended and restated stockholders agreement, or the "Stockholders Agreement," which provides, among other things, that a committee of the signatory stockholders, consisting of Allan Ginsburg, Robert Chestnov and Howard Ginsburg, may direct the vote of the shares as to which such stockholder may have or share voting power and, accordingly, Allan Ginsburg, Robert Chestnov and Howard Ginsburg may be considered to beneficially own the shares of common stock subject to the Stockholders Agreement. On February 29, 2016, 1,303,524 shares of our common stock (59.4%) were subject to the Stockholders Agreement.

(3) Includes 8,470 shares of our common stock held by Mr. Ginsburg in an individual retirement account, 29,884 shares held of record by Mr. Ginsburg as custodian for his children, 10,769 shares owned by Mr. Ginsburg's late wife's estate, and 1,984 shares owned by a charitable foundation of which Mr. Ginsburg serves as an officer and trustee, with respect to which Mr. Ginsburg shares voting and dispositive power, and with respect to all of which shares Mr. Ginsburg disclaims beneficial ownership.

(4) Includes 10,953 shares held by Mr. Chestnov in an individual retirement account, 27,423 shares held of record by Mr. Chestnov as co-trustee of a trust with respect to which he shares voting and dispositive power and 3,500 shares owned by a charitable foundation of which Mr. Chestnov serves as an officer and director, with respect to all of which shares Mr. Chestnov disclaims beneficial ownership.

(5) Includes 8,470 shares held by Mr. Ginsburg in an individual retirement account, 55,114 shares of our common stock held of record by Mr. Ginsburg as custodian for his children and 1,800 shares owned by his wife, with respect to all of which shares Mr. Ginsburg disclaims beneficial ownership.

(6) Richard Chestnov holds 27,423 of the shares set opposite his name as co-trustee of a trust, 3,500 of the shares set opposite his name as an officer and director of a charitable foundation, with respect to which, in each case, he shares voting and dispositive power, and 300 shares as custodian for his child. Mr. Chestnov disclaims beneficial ownership of such shares.

Stockholders Agreement. Allan Ginsburg, Robert Chestnov and Howard Ginsburg, certain other family members, trusts and custodianships for the benefit of such individuals and family members, and the Company are parties to the Stockholders Agreement. The Stockholders Agreement, among other things, entitles Allan Ginsburg, Robert Chestnov and Howard Ginsburg, in their capacity as a stockholders' committee, acting by the vote of at least two-thirds, or by the unanimous written consent, of the members of the stockholders committee, for a period of fifteen years from the date of the Stockholders Agreement, to direct the voting of the shares of common stock with respect to which the signatory stockholders have or share, or may hereafter have or share, voting power with respect to all matters submitted to our stockholders at any annual or special meeting of stockholders or pursuant to a written consent in lieu thereof. On February 29, 2016, the stockholders committee was entitled under the Stockholders Agreement to direct the vote as to 1,303,524 shares of our common stock (59.4%).

Family Relationships. Allan Ginsburg, Chairman of the Board and a director of the Company, is a first cousin of Howard Ginsburg, Vice Chairman of the Board and a director of the Company. Jaclyn Hartstein, the Secretary of the Company, is Howard Ginsburg's sister and is a first cousin of Allan Ginsburg. Eric Gailing is a nephew of Howard Ginsburg and Jaclyn Hartstein. Robert Chestnov, President, Chief Executive Officer and a director of the Company, and Richard Chestnov, a director of the Company, are brothers.

Related Party Transactions. During fiscal 2016, Jaclyn Hartstein served as our Corporate Secretary and received aggregate compensation of $330,259 for services rendered during that period. Also during the same period, Eric Gailing, Director of Operations – Premium Incentive Division, received aggregate compensation of $172,460 for services rendered during that period.

Item 12. Financial Information for the issuer's most recent fiscal period.

The following financial statements of the Company for fiscal 2016 and fiscal 2015 are attached to this Statement and are incorporated by reference herein:

	Financial Statement Page No.[2]
Independent Auditors' Report	1
Consolidated Balance Sheets as of February 29, 2016 and February 28, 2015	2
Consolidated Statement of Earnings for the years ended February 29, 2016 and February 28, 2015	3
Consolidated Statements of Cash Flows for the years ended February 29, 2016 and February 28, 2015	4
Consolidated Statements of Stockholders' Equity for the years ended February 29, 2016 and February 28, 2015	5
Notes to Consolidated Financial Statements	6-15

Item 13. Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.

The financial statements for fiscal 2016 are included in the financial statements attached to this Statement and are incorporated by reference herein (see Item 12 above). The following financial statements for fiscal 2015 are incorporated by reference herein from the Company's Disclosure Statement for fiscal 2015, which has been posted on the website of the OTCQX[SM] at www.otcqx.com:

	Financial Statement Page No.[3]
Independent Auditors' Report	1
Consolidated Balance Sheets as of February 28, 2015 and February 28, 2014	3
Consolidated Statement of Earnings for the two fiscal years ended February 28, 2015	4
Consolidated Statements of Cash Flows for the two fiscal years ended February 28, 2015	5
Consolidated Statements of Stockholders' Equity for the two fiscal years ended February 28, 2015	6
Notes to Consolidated Financial Statements	7-16

[2] Page number references are to the financial statements of the Company attached to this Statement.

[3] Page number references are to the financial statements of the Company attached to the Company's Disclosure Statement for the fiscal year ended February 28, 2015 that has been posted on the website of the OTCQX[SM] at www.otcqx.com.

Item 14. Beneficial Owners.

The following table sets forth information as of February 29, 2016 with respect to each person who, to the Company's knowledge, is the beneficial owner of more than 5% of our common stock:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Allan Ginsburg 197 West Spring Valley Avenue Maywood, NJ 07607	129,361(1)	5.9%
Robert Chestnov 197 West Spring Valley Avenue Maywood, NJ 07607	376,876(2)	17.2%
Howard Ginsburg 197 West Spring Valley Avenue Maywood, NJ 07607	116,670(3)	5.3%
Bonnie Sue Levy 197 West Spring Valley Avenue Maywood, NJ 07607	193,968(4)(5)	8.8%

(1) See footnotes (2) and (3) to the table in Item 11 above under the caption "*Ownership of Common Stock by Executive Officers and Directors*" for information as to the beneficial ownership of shares of our common stock by Allan Ginsburg.

(2) See footnotes (2) and (4) to the table in Item 11 above under the caption "*Ownership of Common Stock by Executive Officers and Directors*" for information as to the beneficial ownership of shares of our common stock by Robert Chestnov.

(3) See footnotes (2) and (5) to the table in Item 11 above under the caption "*Ownership of Common Stock by Executive Officers and Directors*" for information as to the beneficial ownership of shares of our common stock by Howard Ginsburg.

(4) Includes 6,164 shares held by Ms. Levy in an individual retirement account.

(5) Ms. Levy is a party to the Stockholders Agreement. The information set forth above in this Statement in Item 11 under the caption *"Stockholders Agreement"* is incorporated by reference in this footnote (4) and made a part hereof.

Item 15. The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to the operations, business development and disclosure.

Corporate Counsel: Troutman Sanders LLP
875 Third Avenue
New York, New York 10022
(212) 704-6000
Attention: Joseph Walsh, Esq.
joseph.walsh@troutmansanders.com

Accounting Firm: Friedman LLP
100 Eagle Rock Avenue, Suite 200
East Hanover, New Jersey 07936
Attention: C. Christopher Smith
(973) 929-3500
csmith@friedmanllp.com

Item 16. Management's Discussion and Analysis or Plan of Operation.

Overview

We are engaged in the design, manufacture, distribution and sale of women's and children's apparel, and vinyl, leather 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 mostly made to order, and we market and sell our products to a range of retailers, including general merchandise stores, retail chain stores, department stores, cosmetic companies, and other specialty retailers.

Our business is subject to seasonal variations. Consistent with what we believe is the general pattern associated with sales to the retail industry, our results of operations are somewhat more meaningful on a seasonal basis, rather than on a quarterly basis. In that regard, our net sales and net earnings generally have been higher during the period from June to November, during which time our customers generally increase inventory levels in anticipation of both back-to-school and holiday sales. Net sales and net earnings for the other months of our fiscal year typically have been lower due, in part, to the traditional slowdown by our customers immediately following the winter holiday season. However, our results of operations may also fluctuate significantly as a result of a number of other factors, including the timing of shipments to customers and general economic conditions. Accordingly, comparisons between seasons or quarters may not necessarily be meaningful, and the results for any one quarter or season are not necessarily indicative of future quarterly results or of full-year performance.

Certain financial information for the fiscal year ended February 29, 2016 is as follows:

- Net Sales for fiscal 2016 were $171,644,000. Gross profit dollars for the twelve-months ended February 29, 2016 were $34,895,000, or 20.3% of our Net Sales for that period.

- Net Earnings for fiscal 2016 were $488,000, or $.21 per diluted share.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the appropriate application of accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in our consolidated financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to the consolidated financial statements.

We believe that application of accounting policies, and the estimates inherently required by the policies, are reasonable. These accounting policies and estimates are periodically reevaluated, and adjustments are made when facts and circumstances dictate a change. Historically, we have found the application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

Our accounting policies are more fully described in Note 1 to the consolidated financial statements. We have identified certain critical accounting policies that are described below.

Merchandise inventory. Our merchandise inventory is carried at the lower of cost (on a first-in, first-out basis) or market. We write down our inventory for estimated obsolescence or unmarketable inventory based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Allowance for doubtful accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments, and we also maintain accounts receivable insurance on certain of our customers. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Market development accruals. We estimate reductions to revenue for customer programs and incentive offerings, including special pricing agreements, promotions and other volume-based incentives. If market conditions were to decline, we may take actions to increase customer incentive offerings possibly resulting in an incremental reduction of revenue at the time the incentive is offered. We review and refine these estimates on a quarterly basis based on current experience, trends and our customers' performance. Sales discounts, returns, marketing programs and allowances were 3.4%, 2.9% and 5.0% of sales for the fiscal years ended February 29, 2016, February 28, 2015 and February 28, 2014, respectively.

Goodwill. We evaluate goodwill annually or whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. In making this assessment, we rely on a number of factors including operating results, business plans, economic

considerations, anticipated future cash flows and marketplace data. A change in these underlying assumptions may cause a change in the estimated fair value. If we estimated fair value to be less than the carrying value, we would be required to record a charge that would reduce earnings.

Income taxes. Income taxes are accounted for under provisions of the Accounting Standards Codification 740, "Accounting for Income Taxes," which requires an asset and liability approach to calculate deferred income taxes. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences in the financial statement carrying amount of existing assets and liabilities and their respective tax bases, as measured by enacted tax rates that are expected to be in effect in the periods when the deferred tax assets and liabilities are expected to be settled or realized. Significant judgment is required in determining the provisions for income taxes.

We establish the provisions based upon management's assessment of exposure associated with permanent tax differences, tax credits and interest expense applied to temporary difference adjustments. The tax provisions are analyzed periodically (at least annually) and adjustments are made as events occur that warrant adjustments to those provisions.

Liquidity and Capital Resources

Cash Flows

Certain information about our financial position as of February 29, 2016, February 28, 2015, and February 28, 2014 is presented in the following table:

	February 29, 2016	February 28, 2015	February 28, 2014
Cash and Cash Equivalents	$ 1,415,000	$ 1,371,000	$ 1,634,000
Working Capital	$17,674,000	$16,872,000	$16,265,000
Stockholders' Equity	$22,950,000	$22,893,000	$22,651,000

Cash flows provided by (used in) operating, investing and financing activities for the fiscal years ended February 29, 2016, February 28, 2015 and February 28, 2014 were as follows:

	February 29, 2016	February 28, 2015	February 28, 2014
Operating activities	$ (6,321,000)	$ 3,918,000	$ (3,871,000)
Investing activities	$ 596,000	$ (81,000)	$ 1,107,000
Financing activities	$ 5,769,000	$ (4,100,000)	$ 3,400,000
Net increase (decrease) in cash and cash equivalents	$ 44,000	$ (263,000)	$ 636,000

The net increase in cash and cash equivalents for the fiscal year ended February 29, 2016 of $44,000 was the result of funds provided by financing activities totaling $5,769,000 and by funds provided by investing activities totaling $596,000, offset by funds used in operating activities totaling $6,321,000.

Funds used in operating activities totaling $6,321,000, primarily resulted from an increase in net accounts receivable of $8,487,000 (the result of relatively higher net sales in the fourth quarter of fiscal 2016 compared to the same fiscal 2015 period), not fully offset by a decrease in inventories totaling $1,063,000 (in anticipation of lower first quarter fiscal 2017 net sales).

Net cash provided by investing activities resulted from proceeds from notes receivable totaling $993,000, partly offset by the purchase of property and equipment totaling $397,000.

Net cash provided by financing activities totaling $5,769,000 was the result of net bank loan borrowing totaling $6,200,000 under the Company's bank line of credit, partly offset by a purchase of the Company's outstanding stock totaling $431,000.

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 February 29, 2016, the Company had $18,159,000 of additional availability (based on the borrowing formula) under its credit facility. At February 29, 2016, the interest rate on borrowing was 2.43%, and the Company was contingently obligated on open letters of credit with an aggregate face amount of $1,980,000.

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 12 months.

There were no material commitments for capital expenditures at February 29, 2016.

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), or 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 year ended February 28, 2015, the Company did not purchase any shares of common stock under this repurchase program. However, during the year ended February 29, 2016, the Company purchased a total of 86,300 shares of its common stock at a cost of approximately $431,000. As of February 29, 2016, the Company has purchased a total of 661,111 shares of its common stock at a cost of approximately $3,529,000 under this repurchase program.

Contractual Obligations and Commercial Commitments

To facilitate an understanding of our contractual obligations and commercial commitments, the following data is provided as of February 29, 2016:

Payments Due by Period

Contractual Obligations (1)	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 years
Notes Payable (2)	$19,400,000	$19,400,000	-	-	-
Royalties	38,000	38,000	-	-	
Operating Leases	6,144,000	2,041,000	3,343,000	$507,000	$253,000
Total Contractual Obligations	$25,582,000	$21,479,000	$3,343,000	$507,000	$253,000

Amount of Commitment Expiration by Period

Other Commercial Commitments	Total Amounts Committed	Within 1 Year	2-3 Years	4-5 Years	After 5 Years
Letters of Credit	$1,980,000	$1,980,000	-	-	-
Total Other	-	-	-	-	-
Commercial Commitments	$1,980,000	$1,980,000	-	-	-

(1) We 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 short-term line of credit with the bank at May 17, 2016 was $2,300,000.

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

Fiscal Year Ended February 29, 2016 compared to Fiscal Year Ended February 28, 2015

Net sales were $171,644,000 for the fiscal year ended February 29, 2016, compared to $161,498,000 in the same period during fiscal 2015. For the fiscal year ended February 29,

2016, the Apparel category was higher by 9.4% while net sales in the Handbag category net sales were lower by 0.9%. Gross profit margins, as a percentage of net sales, declined slightly in both categories when compared to fiscal 2015.

Sales by category were as follows:

Net sales for the Apparel category were $123,485,000 for the fiscal year ended February 29, 2016, or $10,577,000 higher than last year's comparable period. This 9.4% increase was primarily the result of a net sales increase in our children's apparel division, due to a greater number of programs in the current fiscal year with one of its significant customers, as well as a modest increase in net sales in our women's sleepwear division.

Net sales totaling $48,159,000 for the Handbags category in the fiscal year ended February 29, 2016 represented a 0.9% decrease compared to $48,590,000 in net sales for fiscal 2015. The net sales decrease primarily reflected lower premium incentive business due to fewer orders from an existing customer, not offset by much higher handbag division business in fiscal 2016 compared to fiscal 2015.

Gross margins were 20.3% for the fiscal year ended February 29, 2016, compared to 20.5% for the fiscal year ended February 28, 2015. Gross margins by category were as follows:

For the fiscal year ended February 29, 2016, gross margins for the Apparel category decreased to 22.4% from 22.6% in the prior comparable period, primarily due to lower margins in the women's apparel business due to product mix, not fully offset by an increase in gross profit in the children's apparel business.

Gross margins for the Handbags category were also lower in fiscal 2016 compared to fiscal 2015 (15.1% from 15.7%), resulting primarily from a decrease in the premium incentive business margins (due to lower negotiated margins), not fully offset by higher margins for the handbag business, due to product mix.

For the fiscal year ended February 29, 2016, shipping, selling and administrative expenses increased by $1,506,000 to $33,766,000, but decreased as a percentage of net sales to 19.7% from 20.0% in the prior year. The net increase in shipping, selling and administrative expense dollars was primarily due to higher sales commissions ($784,000), higher shipping and warehousing ($729,000), and by higher sales product development expense ($227,000), all due to increased sales volume. Offsetting these increases, in part, was a decrease in royalty expense totaling $166,000.

Interest expense totaled $248,000 and $268,000 for the fiscal years ended February 29, 2016 and February 28, 2015, respectively. The decrease in fiscal 2016 is primarily the result of a slightly lower average interest rate in fiscal 2016 compared to our prior fiscal year.

For the fiscal year ended February 29, 2016, the Company had pretax earnings of $881,000. This compares with a profit before income taxes in the prior fiscal year of $565,000.

The increase in earnings before income taxes was primarily the result of higher sales and gross profit and somewhat lower interest rates, not offset by higher selling, general and administrative expenses in the current fiscal year compared to the prior fiscal year, as discussed above.

For the fiscal year ended February 29, 2016 the Company had net earnings of $488,000. This compares with fiscal 2015's net earnings of $242,000.

The Company experienced a 44.5% effective tax rate for the fiscal year ended February 29, 2016.

Fiscal Year Ended February 28, 2015 compared to Fiscal Year Ended February 28, 2014

Net sales were $161,498,000 for the fiscal year ended February 28, 2015, compared to $172,882,000 in the same period during fiscal 2014. For the fiscal year ended February 28, 2015, the Handbag category net sales were lower by 3.7%, while net sales in the Apparel category were lower by 7.8%. However, gross profit margins, as a percentage of net sales, were higher for both categories when compared to fiscal 2014.

Sales by category were as follows:

Net sales for the Apparel category were $112,908,000 for the fiscal year ended February 28, 2015, or $9,494,000 lower than last year's comparable period. This 7.8% decrease was primarily the result of a net sales decrease in our children's apparel division, due to fewer programs with one of its significant customers, as well as a decrease in net sales in our women's sleepwear division with two of its significant customers.

Net sales totaling $48,590,000 for the Handbags category in the fiscal year ended February 28, 2015 represented a 3.7% decrease compared to $50,480,000 in net sales for fiscal 2014. The net sales decrease primarily reflected lower handbag division business in fiscal 2015 compared to fiscal 2014 not fully offset by higher sales in the premium incentive business due to additional business with an existing customer.

Gross margins were 20.5% for the fiscal year ended February 28, 2015, compared to 19.5% for the fiscal year ended February 28, 2014. Gross margins by category were as follows:

For the fiscal year ended February 28, 2015, gross margins for the Apparel category increased to 22.6% from 21.7% in the prior comparable period, primarily due to higher margins in both the children's apparel business and the women's apparel business due to product mix.

Gross margins for the Handbags category were also higher in fiscal 2015 compared to fiscal 2014 (15.7% from 14.3%), resulting primarily from an increase in the premium incentive business margins (the result of higher negotiated margins), not fully offset by lower margins for other Handbag category items due to product mix.

For the fiscal year ended February 28, 2015, shipping, selling and administrative expenses decreased by $496,000 to $32,260,000, but increased as a percentage of net sales to

20.0% from 18.9% in the prior year. The net decrease in shipping, selling and administrative expense dollars was primarily due to lower sales product development expense ($897,000), and by lower selling expense ($694,000). Offsetting these decreases, in part, was an increase in royalty expense totaling $491,000, higher sales commissions of $327,000, higher general and administrative expenses by $83,000, and miscellaneous income in fiscal 2014 from a $257,000 insurance recovery for business interruption form Hurricane Sandy, which lowered expenses in fiscal 2014.

Interest expense totaled $268,000 and $401,000 in the fiscal years ended February 28, 2015 and February 28, 2014, respectively. The decrease in fiscal 2015 is primarily the result of a lower level of average borrowing due to lower net sales in fiscal 2015 compared to our prior fiscal year.

For the fiscal year ended February 28, 2015, the Company had pretax earnings of $565,000. This compares with a profit before income taxes in the prior fiscal year of $552,000.

The increase in earnings before income taxes was primarily the result of lower selling, general and administrative expenses and lower interest expense, not offset by lower gross margin dollars in the current fiscal year compared to the prior fiscal year, as discussed above.

For the fiscal year ended February 28, 2015 the Company had net earnings of $242,000. This compares with fiscal 2014's net earnings of $285,000.

The Company experienced a 57.2% effective tax rate for the fiscal year ended February 28, 2015.

Part E: Issuance History

Item 17. List of securities offerings and shares issued for services in the past two years.

During our last two fiscal years, we did not issue any shares of our common stock.

Part F: Exhibits

Item 18. Material Contracts.

The Company's material contracts required to be filed or described pursuant to this Item 18(a) are listed in, and were filed as exhibits to, our filings with the Securities and Exchange Commission, which may be accessed at www.sec.gov, (b) have been described in press releases that have been posted on the website of the OTCQX^{SM} at www.otcqx.com, or (c) have been described in, or filed as exhibits to, our prior quarterly or annual disclosure statements that have been posted on the website of the OTCQX^{SM} at www.otcqx.com.

Item 19. Articles of Incorporation and Bylaws.

A complete copy of our certificate of incorporation, as amended to date, was included as an exhibit to our annual disclosure statement for our fiscal year ended June 30, 2008. Our

bylaws, as amended to date, were filed as an exhibit to our filings with the Securities and Exchange Commission, which may be accessed at www.sec.gov.

Item 20. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

The following table provides certain information as to repurchases of shares of our common stock during fiscal 2016. During fiscal 2015, the Company did not purchase any shares of common stock under this repurchase program.

Issuer Purchases of Equity Securities

Period	**Column (a)** Total Number of Shares (or Units) Purchased	**Column (b)** Average Price Paid per Share (or Unit)	**Column (c)** Total Number of Shares (or Units) Authorized or Purchased as Part of Publicly Announced Plans or Programs (1)	**Column (d)** Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
March 1, 2015-March 31, 2015	--	--	--	140,222
April 1, 2015-April 30, 2015	--	--	--	140,222
May 1, 2015-May 31, 2015	--	--	--	140,222
June 1, 2015-June 30, 2015	--	--	--	140,222
July 1, 2015-July 31, 2015	--	--	--	140,222
August 1, 2015-August 31, 2015	--	--	--	140,222
September 1, 2015-September 30, 2015	--	--	--	140,222
October 1, 2015-October 31, 2015	--	--	--	140,222
November 1, 2015-November 30, 2015	--	--	--	140,222
December 1, 2015-December 31, 2015	--	--	--	140,222
January 1, 2016-January 31, 2016	--	--	--	140,222
February 1, 2016-February 29, 2016	86,300	$5.00	--	53,922

(1) In December 2002, we publicly announced that our Board of Directors authorized the repurchase of up to 475,000 shares of common stock. As of October 12, 2012, 365,033 shares had been purchased, leaving 109,967 shares of our common stock at that time that could have been purchased under the authorization. During the third quarter of fiscal 2013, the Company announced that the Board of Directors authorized an increase of 240,033 shares of common stock (or a revised total of up to 350,000 shares of its common stock). As of February 28, 2013, 209,778 shares had been purchased, leaving 140,222 shares of our common stock available to be purchased under the authorization. Under this authorization, purchases 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 generally finances all such repurchases from its own funds from operations and/or from its bank credit facility. As of February 29, 2016, the Company has purchased a total of 661,111 shares of our common stock under these repurchase authorizations at a cost of approximately $3,529,000.

Item 21. Issuer's Certifications.

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

1. I have reviewed this 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 report.

Date: May 20, 2016

/s/ Robert Chestnov

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

1. I have reviewed this 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 report.

Date: May 20, 2016

/s/ Anthony Christon

JACLYN, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015

AND

INDEPENDENT AUDITORS' REPORT

JACLYN, INC. AND SUBSIDIARIES

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FRIEDMAN LLP®
ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
of Jaclyn, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Jaclyn, Inc. and Subsidiaries which comprise the consolidated balance sheets as of February 29, 2016 and February 28, 2015, and the related consolidated statements of earnings, cash flows and stockholders' equity for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jaclyn, Inc. and Subsidiaries as of February 29, 2016 and February 28, 2015, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Friedman LLP

May 20, 2016

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JACLYN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	February 29, 2016	February 28, 2015
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,415,000	$ 1,371,000
Accounts receivable, less sales discounts, sales allowances, and allowance for doubtful accounts: 2016 $3,918,000; 2015 $2,795,000	35,059,000	26,572,000
Inventories	12,786,000	13,849,000
Prepaid expenses and other current assets	2,664,000	2,700,000
TOTAL CURRENT ASSETS	51,924,000	44,492,000
Property, plant and equipment, net	3,337,000	3,211,000
Notes receivable net of discount	-	993,000
Goodwill	3,338,000	3,338,000
Other assets	171,000	309,000
TOTAL ASSETS	$58,770,000	$52,343,000
CURRENT LIABILITIES:		
Notes payable - bank	$19,400,000	$13,200,000
Accounts payable	6,320,000	7,249,000
Commissions payable	2,969,000	2,155,000
Accrued payroll and related expenses	4,434,000	4,063,000
Other current liabilities	1,127,000	953,000
TOTAL CURRENT LIABILITIES	34,250,000	27,620,000
Other liabilities	1,570,000	1,830,000
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $1; authorized 1,000,000 shares; None issued and outstanding	-	-
Common stock, par value $1; authorized 5,000,000 shares; Issued 3,368,733 shares; outstanding 2,193,681 and 2,279,981 shares in 2016 and 2015	3,369,000	3,369,000
Additional paid-in capital	9,471,000	9,471,000
Retained earnings	18,466,000	17,978,000
	31,306,000	30,818,000
Less - Treasury at cost - 1,175,052 and 1,088,752 shares, at 2016 and 2015	8,356,000	7,925,000
TOTAL STOCKHOLDERS' EQUITY	22,950,000	22,893,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$58,770,000	$52,343,000

See notes to consolidated financial statements.

JACLYN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended	
	February 29, 2016	February 28, 2015
Net sales	$171,644,000	$161,498,000
Cost of goods sold	136,749,000	128,405,000
Gross profit	34,895,000	33,093,000
Shipping, selling and administrative expenses	33,766,000	32,260,000
Interest expense	248,000	268,000
Earnings before income taxes	881,000	565,000
Provision for income taxes	393,000	323,000
Net earnings	$ 488,000	$ 242,000
Net earnings per common share - basic	$.21	$.11
Weighted average number of shares outstanding - basic	2,278,000	2,280,000
Net earnings per common share - diluted	$.21	$.11
Weighted average number of shares outstanding - diluted	2,278,000	2,280,000

See notes to consolidated financial statements.

JACLYN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended	
	February 29, 2016	February 28, 2015
Cash Flows From Operating Activities:		
Net Earnings	$ 488,000	$ 242,000
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:		
Depreciation and amortization	271,000	298,000
Write-off of leasehold improvements	-	132,000
Sales allowances	1,104,000	(1,915,000)
Bad debt expense (recoveries)	19,000	(167,000)
Deferred income taxes	(338,000)	175,000
Changes in assets and liabilities:		
Accounts receivable	(9,610,000)	8,791,000
Inventories	1,063,000	(2,947,000)
Prepaid expenses and other assets	263,000	(125,000)
Accounts payable and other current liabilities	419,000	(566,000)
Net cash (used in) provided by operating activities	(6,321,000)	3,918,000
Cash Flows From Investing Activities:		
Proceeds from notes receivable	993,000	-
Purchase of property and equipment	(397,000)	(81,000)
Net cash provided by (used in) investing activities	596,000	(81,000)
Cash Flows From Financing Activities:		
Net increase (decrease) in notes payable - bank	6,200,000	(4,100,000)
Purchase of treasury stock	(431,000)	-
Net cash provided by (used in) financing activities	5,769,000	(4,100,000)
Net increase (decrease) in Cash and Cash Equivalents	44,000	(263,000)
Cash and Cash Equivalents, beginning of year	1,371,000	1,634,000
Cash and Cash Equivalents, end of year	$ 1,415,000	$ 1,371,000
Supplemental Cash Flow Disclosures:		
Interest paid	$ 243,000	$ 284,000
Taxes paid	$ 129,000	$ 119,000

See notes to consolidated financial statements.

JACLYN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015

	Common Stock				Treasury Stock		
	Shares	Amount	Additional Paid In Capital	Retained Earnings	Shares	Amount	Total
Balance, March 1, 2014	3,368,733	$3,369,000	$9,471,000	$17,736,000	1,088,752	$7,925,000	$22,651,000
Net earnings	-	-	-	242,000	-	-	242,000
Balance, February 28, 2015	3,368,733	$3,369,000	$9,471,000	$17,978,000	1,088,752	$7,925,000	$22,893,000
Shares purchased for treasury					86,300	431,000	(431,000)
Net earnings	-	-	-	488,000	-	-	488,000
Balance, February 29, 2016	3,368,733	$3,369,000	$9,471,000	$18,466,000	1,175,052	$8,356,000	$22,950,000

See notes to consolidated financial statements.

JACLYN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - SIGNIFICANT ACCOUNTING POLICIES

Description of Business
Jaclyn, Inc. and 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 consolidated financial statements include the accounts of Jaclyn, Inc. and all of its wholly-owned subsidiaries. All significant inter-company transactions and balances have been eliminated.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates made by management include valuation of accounts receivables, sales discounts and allowances, inventory, goodwill, and deferred taxes.

Cash and Cash Equivalents
Cash in excess of daily requirements is invested in money market funds with original maturities of three months or less. Such investments are presented as cash equivalents. At times, the Company's cash balances may exceed the current amounts under the Federal Deposit Insurance Corporation.

Fair Value of Financial Instruments
The carrying amount of cash, accounts receivable, accounts and notes payable and accrued expenses are assumed to approximate fair value due to their short maturities.

Inventories
Inventories are carried at the lower of cost on a first-in, first-out basis, or market. When necessary, management records an inventory reserve for estimated obsolescence or unmarketable inventory based upon assumptions about future demand and market conditions.

Allowances for Doubtful Accounts/Sales Discounts
The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments and also maintains accounts receivable insurance on certain of its customers.

The Company estimates reductions to revenue for customer programs and incentive offerings including special pricing agreements, promotions and other volume-based incentives, based on terms of the agreement and/or historical experience.

1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

License Agreements

The Company enters into license agreements from time to time that permit it to use certain trademarks and trade names on certain of its products. These agreements require the Company to pay royalties, generally based on the sales of such products, and may require guaranteed minimum royalties, a portion of which may be paid in advance. The Company's accounting policy is to match royalty expense with revenue by recording royalties at the time of sale at the greater of the contractual rate or an effective rate calculated based on the guaranteed minimum royalty. Guaranteed minimum royalties paid in advance are recorded in the consolidated balance sheet as other assets. As of February 29, 2016 and February 28, 2015, there were no royalty advances.

Royalty expense for the years ended February 29, 2016 and February 28, 2015 was approximately $440,000 and $606,000, respectively.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. The Company provides for depreciation and amortization on the straight-line method over the following estimated useful lives:

Buildings	25 to 40 years
Machinery and equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of estimated useful life of the asset or life of the lease
Automobiles and trucks	3 years

Long-Lived Assets

The Company evaluates long-lived assets in accordance with generally accepted accounting principles. The assets are evaluated for recoverability whenever events or changes in circumstances indicate that an asset may have been impaired. In evaluating an asset for recoverability, the Company estimates the future cash flows expected to result from the use of the asset and eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss, equal to the excess of the carrying amount over the fair market value of the asset, is recognized. There was no impairment of long-lived assets at February 29, 2016 and February 28, 2015.

Goodwill

Under generally accepted accounting principles, goodwill is not amortized, but is reviewed for impairment annually or more frequently if certain indicators arise. Management believes that based on a valuation process undertaken, the carrying value continues to be appropriate.

1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition
Revenue is recognized at the time merchandise is shipped or received by a third party consolidator, normally the same day as the shipment. The Company offers various sales discounts and incentives to its customers. These discounts and incentives are recorded at the time of sale as a reduction of sales based on historical experience and the terms of agreements, if any, between the Company and its customers. Products are shipped directly to customers using third party carriers. The customer takes title and assumes the risks and rewards of ownership of the products when the merchandise leaves the Company's warehouse or is received by a third party consolidator, as applicable.

Shipping and Handling Costs
Included in shipping, selling and administrative expenses are all shipping and handling costs totaling $3,590,000 and $2,861,000 incurred by the Company for the fiscal years ended February 29, 2016 and February 28, 2015, respectively, except for amounts billed to a customer in a sale transaction related to shipping and handling which are included in revenues. Shipping and handling reimbursements included in revenue were not significant in either of the years ended February 29, 2016 and February 28, 2015.

Cost of Goods Sold
Cost of goods sold includes the following: purchasing and receiving costs, factory inspections, customs duty, freight (including ocean and air freight), marine insurance, brokerage, in-bound trucking and other freight, internal transfer costs and other costs of our distribution network.

Income Taxes
The Company accounts for income taxes pursuant to the provisions of the Accounting Standards Codification 740, "Accounting for Income Taxes", which requires an asset and liability approach to calculate deferred income taxes. The asset and liability approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

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.

Concentrations
The Company operates in a single operating segment - the manufacture of apparel, women's handbags and related accessories. Revenues from customers are derived from merchandise sales. The Company's merchandise sales mix by product category was as follows:

1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Product category	Year ended February 29, 2016	Year ended February 28, 2015
Apparel	72%	70%
Handbags	28%	30%
	100%	100%

During the years ended February 29, 2016 and February 28, 2015, sales revenues derived from one customer were 30% and 31%, sales to our second largest customer were 26% and 20%, and sales to our third largest customer were 14% and 19%, respectively. Management believes that the loss of any of these customers may have a material adverse effect on the Company's operations.

At February 29, 2016 and February 28, 2015, accounts receivable due from one customer totaled approximately 48% and 47%, and accounts receivable from a second customer totaled approximately 24% and 20% of total accounts receivable, respectively. A third customer comprised approximately 6% of total accounts receivable for the fiscal years ended February 29, 2016 and February 28, 2015, respectively.

Should any of the above noted customers not be able to pay any substantial obligation to the Company, management believes that there may be a material adverse effect on the Company's operating results.

The Company relies on suppliers to purchase a variety of finished goods. The Company had three suppliers who each constituted approximately 10%, 10% and 8%, respectively, of the Company's finished goods purchases for the year ended February 29, 2016. Management believes that the loss of these suppliers would not have a material adverse effect on the Company's operations since there are alternative suppliers available.

Subsequent Events

These financial statements were approved by management and available for issuance on May 20, 2016. Management has evaluated subsequent events through this date.

2 - INVENTORIES

Inventories consist of the following:

	February 29, 2016	February 28, 2015
Raw material	$ -	$ 4,000
Finished goods	12,786,000	13,845,000
	$ 12,786,000	$ 13,849,000

3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

	February 29, 2016	February 28, 2015
Buildings	$3,627,000	$3,619,000
Machinery and equipment	1,397,000	1,404,000
Furniture and fixtures	505,000	585,000
Leasehold improvements	743,000	554,000
Automobiles and trucks	133,000	122,000
	6,405,000	6,284,000
Less: Accumulated depreciation and amortization	3,068,000	3,073,000
	$3,337,000	$3,211,000

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.

The obligations of the purchaser under the agreements were 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, the purchaser made a $500,000 payment on the then outstanding principal balance ($992,657) of the remaining note. The Company agreed to extend the maturity date of this note by three months, from June 15, 2015 to September 15, 2015. On September 15, 2015, the purchaser made the final payment on the balance of the remaining note totaling $492,657.

4 - COMMITMENTS AND CONTINGENCIES

The Company leases office facilities under non-cancelable leases, with escalation clauses, that expire in various years through the fiscal year ending February 28, 2022.

4 - COMMITMENTS AND CONTINGENCIES (Continued)

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

Year Ending February,	Office and Showroom Facilities
2017	$2,041,000
2018	1,779,000
2019	1,565,000
2020	299,000
2021	208,000
2022 and after	252,000
	$6,144,000

Rental expense, including real estate taxes, for all operating leases totaled $2,045,000 and $2,381,000 for the fiscal years ended February 29, 2016 and February 28, 2015, respectively.

The Company has entered into licensing arrangements with several companies. Approximately $38,000 in minimum royalties is due during the fiscal year ending 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 February 29, 2016, there were no material, pending legal proceedings or material claims to which the Company was a party.

5 - 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 February 29, 2016, the Company had $18,159,000 of additional availability (based on the borrowing formula) under its credit facility. At February 29, 2016 the interest rate on borrowing was 2.43%, and the Company was contingently obligated on open letters of credit with an aggregate face amount of $1,980,000.

6 - 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 February 29, 2016 there were a total of 45,000 shares of common stock available for future grant under the 2007 Plan.

As of February 29, 2016, there were no unrecognized compensation costs remaining related to outstanding awards.

The Company had maintained a stockholder-approved stock option plan for key employees and consultants of the Company, and a stockholder-approved stock option plan for non-employee directors, as follows: The Company's 2000 Stock Option Plan, as amended, or the "2000 Plan", provided for the grant of options to purchase up to an aggregate of 550,000 shares of common stock. The 2000 Plan is no longer in effect and there are no outstanding options remaining. Effective November 29, 2005, the Company terminated its 1996 Non-Employee Director Stock Option Plan (the "1996 Plan"). No further options are being granted under the 1996 Plan, and the remaining 2,000 stock options outstanding, which had been outstanding, expired during fiscal 2015.

The Company did not grant any stock options during the years ended February 29, 2016 and February 28, 2015.

	2016		2015	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding - beginning of year	-	$ -	2,000	$ 6.70
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	2,000	6.70
Forfeited	-	-	-	-
Outstanding and exercisable - end of year	-	$ -	-	$ -

6 - STOCK OPTIONS (Continued)

Stock-Based Compensation (Continued)

As of February 29, 2016, there were no outstanding options to purchase shares of the Company's Common Stock.

7 - PREFERRED STOCK

The Board of Directors of the Company has authority (without action by the stockholders) to issue the authorized and unissued preferred stock in one or more series and, within certain limitations, to determine the voting rights, preference as to dividends and in liquidation, conversion and other rights of each such series. No shares of preferred stock have been issued.

8 - INCOME TAXES

The components of the Company's tax provision for the years ended February 29, 2016 and February 28, 2015, are as follows:

	2016	2015
Current		
Federal	$561,000	$90,000
State and local	167,000	51,000
Foreign	3,000	7,000
Total	731,000	148,000
Deferred		
Federal, State and Foreign	(338,000)	175,000
Provision for income taxes	$393,000	$323,000

8 - INCOME TAXES (Continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of net deferred tax assets and net deferred tax liabilities, included in other current assets and other long term liabilities on the consolidated balance sheet, are as follows:

	2016	2015
Deferred tax assets:		
Bad debt allowances	$ 204,000	$ 225,000
Accrued expenses	1,582,000	1,487,000
Inventory	180,000	182,000
Foreign taxes	17,000	-
Total deferred tax assets	1,983,000	1,894,000
Deferred tax liabilities:		
Effect on basis in fixed assets	1,105,000	1,355,000
Foreign taxes	342,000	341,000
Total deferred tax liabilities	1,447,000	1,696,000
Total net deferred tax asset	$ 536,000	$ 198,000

The effective tax rate is higher than the combined statutory federal and state income tax rate, primarily due to the non-deductibility of business entertainment and life insurance expenses. The current year provision includes a change in estimates of prior year taxes.

The Company files income tax returns in the U.S. Federal jurisdiction, in various states and a foreign location. The Company believes that its tax positions comply with applicable tax laws and that it has adequately provided for these matters.

9 - EMPLOYEES' BENEFIT PLANS

Beginning in fiscal 2007, the Company established a 401(k) benefit plan for certain of its salaried and hourly employees.

The Company also has a 401(k) savings plan for the benefit of its Topsville, Inc. employees, which existed prior to the Company's acquisition of Topsville, Inc. No contributions were made by the Company to this plan during the years ended February 29, 2016 and February 28, 2015.

10 - NET EARNINGS PER SHARE

The Company's calculation of Basic and Diluted Net Earnings Per Common Share follows:

	Year Ended February 29, 2016	Year Ended February 28, 2015
Basic Net Earnings Per Common Share		
Net Earnings	$ 488,000	$ 242,000
Basic Weighted Average Shares Outstanding	2,278,000	2,280,000
Basic Net Earnings Per Common Share	$.21	$.11

	Year Ended February 29, 2016	Year Ended February 28, 2015
Diluted Net Earnings Per Common Share		
Net Earnings	$ 488,000	$ 242,000
Basic Weighted Average Shares Outstanding	2,278,000	2,280,000
Add: Dilutive Options	-	-
Diluted Weighted Average Shares Outstanding	2,278,000	2,280,000
Diluted Net Earnings Per Common Share	$.21	$.11

11 - 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, 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 year ended February 28, 2015, the Company did not purchase any shares of common stock under this repurchase program. However, during the year ended February 29, 2016 the Company purchased a total of 86,300 shares of common stock at a cost of approximately $431,000. As of February 29, 2016, the Company has purchased a total of 661,111 shares of its common stock at a cost of approximately $3,529,000 under this program.