

**JACLYN, INC.**

**OTC MARKETS GROUP  
QUARTERLY REPORT**

**for the Fiscal Quarter ended May 31, 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 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](http://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](mailto: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, 2016. The following sets forth certain information concerning our authorized and outstanding shares of common stock as of May 31, 2016:

No. of shares authorized:	5,000,000
No. of shares outstanding:	2,193,681
Freely tradable shares (public float):	890,157
Total number of beneficial holders:	174(1)
Total number of record holders:	72

(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, 2016 is the same as the approximate number reported to us by our transfer agent as of June 17, 2016, the record date for our annual meeting of stockholders which is scheduled to be held on August 3, 2016.

### **Item 3. Interim financial statements.**

The following unaudited condensed consolidated financial statements for the Company’s fiscal quarter ended May 31, 2016 are attached to this Quarterly Report and are incorporated by reference herein:

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### **Item 4. Management’s discussion and analysis or plan of operation.**

#### ***Overview***

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

#### ***Critical Accounting Policies and Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in our financial statements and related notes. We believe the application of our accounting policies, and the estimates inherently required therein, are reasonable. These accounting policies and estimates are periodically evaluated for continued reasonableness, and adjustments are made when facts and circumstances dictate a change. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates. However,

since future events and their impact cannot be determined with certainty, actual results may differ from our estimates, and such differences could be material to the consolidated financial statements.

### ***Liquidity and Capital Resources***

The net increase in cash and cash equivalents for the three-month period ended May 31, 2016 of \$454,000 was the result of funds provided by operating activities totaling \$16,579,000, offset by funds used in investing activities of \$25,000 and by funds used in financing activities totaling \$16,100,000.

Net cash provided by operating activities resulted primarily from a decrease in accounts receivable of \$17,275,000 (due to a relatively lower level of sales in the first quarter of fiscal 2017 compared to the last quarter of fiscal 2016), and a decrease in inventories totaling \$5,701,000 in anticipation of slightly lower sales in the second quarter of fiscal 2017. These amounts were partly offset by a net decrease in accounts payable and other current liabilities totaling \$5,203,000, (primarily due to payments for inventory accrued as of February 29, 2016) and from the net loss for the quarter totaling \$970,000.

Net cash provided by investing activities reflects purchases of property and equipment totaling \$25,000.

Funds used in financing activities totaling \$16,100,000 resulted from 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, 2016 the Company had \$13,147,000 of additional availability (based on the borrowing formula) under its credit facility. At May 31, 2016 the interest rate on borrowing was 2.42%, and the Company was contingently obligated on open letters of credit with an aggregate face amount of \$5,121,000.

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, 2016.

### ***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, 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)	\$ 3,300,000	\$ 3,300,000	\$ -	\$ -	\$ -
Royalties	15,000	15,000	-	-	-
Operating Leases	5,635,000	1,531,000	3,344,000	507,000	253,000
Total Contractual Obligations	\$ 8,950,000	\$ 4,846,000	\$ 3,344,000	\$ 507,000	\$ 253,000

- (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 12, 2016 was \$1,700,000.

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	\$ 5,121,000	\$ 5,121,000	-	-	-
Total Commercial Commitments	\$ 5,121,000	\$ 5,121,000	-	-	-

***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 \$30,478,000 and \$33,276,000 during the three-month periods ended May 31, 2016 and May 31, 2015, respectively. For the three-month period ended May 31, 2016, the Apparel category net sales were 9.5% lower than last year's comparable three-month period. Net sales in the Handbag category decreased 6.2% 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 \$19,957,000 for the three-month period ended May 31, 2016, or \$2,099,000 lower than the prior year's comparable three-month period. This 9.5% decrease was primarily due to a 10.6% decrease in orders in our children's apparel division, primarily due to the timing of shipments in the current fiscal quarter as well as slightly lower royalty sales in the current fiscal quarter compared to the quarter ended May 31, 2015, and a 4.7% decrease in our women's sleepwear business, the result of the timing of shipments to one of its significant customers.

Net sales totaling \$10,521,000 for the Handbags category in the first quarter of fiscal 2017 reflects a decrease of \$699,000 in net sales for the comparable quarter in the prior year. The Handbags category net sales decrease of 6.2% in the first quarter of the current fiscal year primarily reflected lower net sales in our handbag business due to the loss of one of its more significant customers, offset slightly by an increase in the premium incentive business (up 0.3%).

Gross margins were 18.0% and 18.6% in the three-month periods ended May 31, 2016 and 2015, respectively. Gross margins by category were as follows:

Gross margin for the Apparel category decreased to 18.5% in the three-month period ended May 31, 2016 from 22.4% in the comparable quarter ended May 31, 2015. The 3.9 percentage point decrease was primarily the result of lower margins in the children's apparel business (due to product mix), and by lower margins in the women's sleepwear business (attributable to more promotional sales and 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 2017 was higher at 17.1% compared to 11.3% in the comparable quarter last year. The premium incentive business experienced a gross margin increase in the current fiscal year attributable primarily to product mix, and by an increase in our handbag business gross margins also due to product mix.

For the three-month period ended May 31, 2016, shipping, selling and administrative expenses decreased by \$301,000 to \$7,181,000. However, as a percentage of Net Sales, shipping, selling and administrative expenses increased to 23.6% compared to 22.5% in the prior year comparable three-month period. The \$301,000 decrease in shipping, selling and administrative expenses was mainly due to lower general and administrative costs totaling approximately \$148,000, primarily due to lower compensation costs and related benefits, and by lower royalty expense, totaling \$84,000, in the current three-month period compared to last year's comparable period. In addition, sales commissions were lower by \$64,000 the result of lower net sales in the current three-month period compared to last year's comparable first quarter period.

Interest expense totaling \$68,000 in the first quarter of fiscal 2017 compared to \$51,000 in the prior year's comparable quarter. The increase is primarily the result of a slightly higher interest rate in the fiscal quarter ended May 31, 2016 compared to last year's comparable fiscal first quarter.

For the three-month period ended May 31, 2016 the Company had a loss before income taxes of \$1,763,000. This compares with a pre-tax loss in the prior year's comparable quarter totaling \$1,336,000, or an increase in loss of \$427,000. The greater pre-tax loss in the three-month period ending May 31, 2016, was primarily the result of lower net sales and gross profit and higher interest expense, not fully offset by lower selling, general and administrative expenses, as discussed above.

For the three-month period ended May 31, 2016 the Company had a net loss of \$970,000. This compares with a net loss in the prior year's comparable quarter totaling \$747,000.

### ***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 13, 2016

/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 13, 2016

/s/ Anthony Christon



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

	May 31, 2016 (Unaudited)	February 29, 2016 (See below)
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,869	\$ 1,415
Accounts receivable, net	17,784	35,059
Inventories	7,085	12,786
Prepaid expenses and other current assets	2,927	2,664
<b>TOTAL CURRENT ASSETS</b>	<b>29,665</b>	<b>51,924</b>
Property, plant and equipment, net	3,288	3,337
Goodwill	3,338	3,338
Other assets	206	171
<b>TOTAL ASSETS</b>	<b>\$ 36,497</b>	<b>\$ 58,770</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Notes payable – bank	\$ 3,300	\$ 19,400
Accounts payable	4,937	6,320
Other current liabilities	4,710	8,530
<b>TOTAL CURRENT LIABILITIES</b>	<b>12,947</b>	<b>34,250</b>
Other liabilities	1,570	1,570
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>Stockholders' equity:</b>		
Preferred stock, none issued and outstanding	-	-
Common stock	3,369	3,369
Additional paid-in capital	9,471	9,471
Retained earnings	17,496	18,466
	30,336	31,306
Less: Common shares in treasury at cost	8,356	8,356
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>21,980</b>	<b>22,950</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 36,497</b>	<b>\$ 58,770</b>

The February 29, 2016 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,

	<u>2016</u>	<u>2015</u>
Net sales	\$ 30,478	\$ 33,276
Cost of goods sold	24,992	27,079
Gross profit	<u>5,486</u>	<u>6,197</u>
Shipping, selling and administrative expenses	7,181	7,482
Interest expense	68	51
	<u>7,181</u>	<u>7,533</u>
Loss before provision for income taxes	(1,763)	(1,336)
Income tax benefit	793	589
Net loss	<u>\$ (970)</u>	<u>\$ (747)</u>
Net loss per common share – basic	<u>\$ (.43)</u>	<u>\$ (.33)</u>
Weighted average number of shares outstanding - basic	<u>2,278,000</u>	<u>2,280,000</u>
Net loss per common share – diluted	<u>\$ (.43)</u>	<u>\$ (.33)</u>
Weighted average number of shares outstanding - diluted	<u>2,278,000</u>	<u>2,280,000</u>

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,	
	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities:</b>		
Net loss	\$ (970)	\$ (747)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	74	84
Changes in assets and liabilities:		
Accounts receivable, net	17,275	7,164
Inventories	5,701	3,053
Prepaid expenses and other assets	(298)	(652)
Accounts payable and other current liabilities	(5,203)	(1,188)
Net cash provided by operating activities	<u>16,579</u>	<u>7,714</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	(25)	(232)
Proceeds from Notes Receivable	-	500
Net cash used in investing activities	<u>(25)</u>	<u>(268)</u>
<b>Cash Flows From Financing Activities:</b>		
Net decrease in notes payable - bank	(16,100)	(8,300)
Net cash used in financing activities	<u>(16,100)</u>	<u>(8,300)</u>
<b>Net increase (decrease) in Cash and Cash Equivalents</b>	<u>454</u>	<u>(318)</u>
Cash and Cash Equivalents, beginning of period	1,415	1,371
Cash and Cash Equivalents, end of period	<u>\$1,869</u>	<u>\$1,053</u>
<b>Supplemental Cash Flow Disclosures:</b>		
Interest paid	\$ 100	\$ 64
Taxes paid	<u>\$ 712</u>	<u>\$ 106</u>

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, 2016**

	Common Stock				Treasury Stock		
	Shares	Amount	Additional Paid In Capital	Retained Earnings	Shares	Amount	Total
Balance, February 29, 2016	3,368,733	\$3,369	\$9,471	\$18,466	1,175,052	\$8,356	\$22,950
Net loss	-	-	-	( 970)	-	-	(970)
Balance, May 31, 2016	<u>3,368,733</u>	<u>\$3,369</u>	<u>\$9,471</u>	<u>\$17,496</u>	<u>1,175,052</u>	<u>\$8,356</u>	<u>\$21,980</u>

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, 2016, the condensed consolidated statements of operations and the condensed consolidated statements of cash flows for the three-month periods ended May 31, 2016 and 2015, respectively, and the condensed consolidated statements of stockholders’ equity for the three-month period ended May 31, 2016, 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 29, 2016. The results of operations for the three-month period ended May 31, 2016 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.

## JACLYN, INC. AND SUBSIDIARIES

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 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, 2016 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, 2016.

#### 3 – INVENTORIES

Inventories consist of the following components (in thousands):

	<u>May 31, 2016</u>	<u>February 29, 2016</u>
Finished Goods	\$ 7,085	\$ 12,786
	<u>\$ 7,085</u>	<u>\$ 12,786</u>

#### 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, 2016 the Company had \$13,147,000 of additional availability (based on the borrowing formula) under its credit facility. At May 31, 2016 the interest rate on borrowing was 2.4%, and the Company was contingently obligated on open letters of credit with an aggregate face amount of \$5,121,000

## JACLYN, INC. AND SUBSIDIARIES

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 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, 2016	Three-Months Ended May 31, 2015
Basic Net Loss Per Common Share		
Net Loss	\$(970)	\$(747)
Basic Weighted Average Shares Outstanding	2,278,000	2,280,000
Basic Net Loss Per Common Share	\$(.43)	\$(.33)
	Three-Months Ended May 31, 2016	Three-Months Ended May 31, 2015
Diluted Net Loss Per Common Share		
Net Loss	\$(970)	\$(747)
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 Loss Per Common Share	\$(.43)	\$(.33)

At May 31, 2016, 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.

## **JACLYN, INC. AND SUBSIDIARIES**

### **NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

#### **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 then outstanding principal balance (\$992,657) of the remaining note. On September 15, 2015, the purchaser made the final \$992,657 payment on the principal balance of the note.

#### **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 year ended February 29, 2016 the Company purchased a total of 86,300 shares of common stock at a cost of approximately \$431,000. During the three-month period ended May 31, 2016, the Company did not purchase any shares of common stock under this repurchase program.

As of May 31, 2016, the Company has purchased a total of 661,111 shares of its common stock under this program at a cost of approximately \$3,529,000.

Subsequent to May 31, 2016, the Company announced that the Board of Directors has increased its authorization for the repurchase by the Company of shares of its common stock to a total of 500,000 shares of the Company's common stock.



## JACLYN, INC. AND SUBSIDIARIES

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 8 - 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.

As of May 31, 2016, 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
2017	\$ 1,531
2018	1,779
2019	1,565
2020	299
2021	208
Thereafter	253
	<u>\$5,635</u>

The Company has entered into licensing arrangements with several companies. Minimum royalties as of May 31, 2016 are as follows: \$15,000 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, 2016 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, 2016.