JACLYN, INC.

OTC MARKETS GROUP
QUARTERLY REPORT

for the Fiscal Quarter ended November 30, 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 Update to Annual Disclosure Statement, or this "Quarterly Update," as the "Company," "we," "us," and/or "our"), this Quarterly Update contains and, from time to time, other oral or written statements issued by us may contain, forward-looking statements concerning, among other things, our future plans and objectives that are or may be deemed to be forward-looking statements. However, forward-looking statements are subject to a number of known and unknown risks and uncertainties that may cause our actual results, trends, performance or achievements, or industry trends and results, to differ materially from the future results, trends, performance or achievements expressed or implied by such forward-looking statements. Those risks and uncertainties may include, but are not limited to, general economic and business conditions; competition; potential changes in customer spending; acceptance of our product offerings and designs; the variability of consumer spending resulting from changes in domestic economic activity; a highly promotional retail environment; any significant variations between actual amounts and the amounts estimated for those matters identified as our critical accounting estimates as well as other significant accounting estimates made in the preparation of our financial statements; and the impact of current and potential hostilities in various parts of the world; as well as other geopolitical concerns. You are urged to consider all such factors. In light of the uncertainty inherent in such forward-looking statements, you should not consider their inclusion to be a representation that such forward-looking matters will be achieved. We assume no obligation for updating any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward- looking statements.

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

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

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

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

Item 2. Shares outstanding.

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 November 30, 2016. The following sets forth certain information concerning our authorized and outstanding shares of common stock as of November 30, 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:	4(1)(2)
Total number of record holders:	100

(1) Beneficial holders are holders of shares of our common stock in street name, and the number of such holders is based on estimated information furnished to our transfer agent by Broadridge Financial Solutions, Inc. ("Broadridge"). Since actual historical information as to the total number of beneficial holders is not generally available, we have assumed that the total number of beneficial holders on November 30, 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 was held on August 3, 2016.
(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.

Item 3. Interim financial statements.

The following unaudited condensed consolidated financial statements for the Company's fiscal quarter ended November 30, 2016 are attached to this Quarterly Report and are incorporated by reference herein:

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

Overview

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

Critical Accounting Policies and Estimates

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

Liquidity and Capital Resources

The net increase in cash and cash equivalents for the nine-month period ended November 30, 2016 of $1,274,000 was the result of funds provided by operating activities totaling $7,668,000, not fully offset by funds used in financing activities totaling $6,300,000 and by funds used in investing activities totaling $94,000.

Net cash provided by operating activities totaling $7,668,000 resulted primarily from a decrease in accounts receivable of $6,424,000 (due to a higher level of sales in last year's fourth quarter compared to this fiscal year's current fiscal quarter), and an increase in accounts payable and other liabilities totaling $2,513,000, partly offset by a $1,020,000 increase in inventories.

Net cash used in financing activities totaling $6,300,000 was entirely the result of net bank loan repayments under the Company's bank line of credit.

Net cash provided by investing activities totaling $94,000 primarily reflects purchases of property and equipment.

The Company has a credit facility, which was amended effective September 1, 2014. The term of the credit facility has been extended until November 30, 2017 and, based on a borrowing formula, provides for revolving loans and the issuance of letters of credit in an aggregate amount not to exceed $50,000,000. Borrowings under the credit facility bear interest based on, at the Company's option: (a) the prime rate less 0.25%, or (b) a floating 30-day Libor rate, or a fixed Libor rate for interest periods of 1, 2, or 3 months, plus 200 basis points. The Company's non-real estate assets are pledged to the bank as collateral. The credit facility requires the Company to maintain minimum tangible net worth and interest coverage, as well as a debt to equity requirement, each measured annually. See Note 5 to the Notes to Unaudited Condensed Consolidated Financial Statements.

At November 30, 2016 the Company had $15,398,000 of additional availability (based on the borrowing formula) under its credit facility. At November 30, 2016 the interest rate on borrowing was 2.5%, and the Company was contingently obligated on open letters of credit with an aggregate face amount of $6,369,000.

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

There were no material commitments for capital expenditures at November 30, 2016.

Contractual Obligations and Commercial Commitments

To facilitate an understanding of our contractual obligations and commercial commitments, the following data is provided as of November 30, 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)	$ 13,100,000	$ 13,100,000	$ -	$ -	$ -
Royalties	-	-	-	-	-
Operating Leases	4,611,000	508,000	3,343	507	253
Total Contractual Obligations	$ 17,711,000	$ 13,608,000	$ 3,343	$ 507	$ 253

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

(2) The notes payable balance does not include any amounts for future interest costs. The outstanding balance under our bank line of credit at January 12, 2017 was $12,800,000.

Amount of Commitment Expiration Per Period

Other Commercial Commitments	**Total Amounts Committed**	**Within 1 Year**	**2-3 Years**	**4-5 Years**	**After 5 Years**
Letters of Credit	$ 6,369,000	$ 6,369,000	-	-	-
Total Commercial Commitments	$ 6,369,000	$ 6,369,000	-	-	-

Off-Balance Sheet Arrangements

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

Results of Operations

Three-Month and Nine-Month periods ended November 30, 2016 compared to Three-Month and Nine-Month periods ended November 30, 2015

Net sales were $46,562,000 and $118,151,000 during the three and nine-month periods ended November 30, 2016, compared to $42,642,000 and $123,078,000 in the same three and nine-month periods during fiscal 2016. For the three and nine-month periods ended November 30, 2016, the Handbag category net sales were lower by 34.8 percent and 13.7 percent, respectively, while net sales in the Apparel category improved by 23% during the three-month period ended November 30, 2016, but were even compared to last year's nine-month period net sales.

Sales by category were as follows:

Net sales for the Apparel category were $39,910,000 for the three-month period ended November 30, 2016, or $7,476,000 higher than last year's comparable three-month period. This 23% increase was primarily due to a 45.7% increase in net sales in our children's apparel division, due to the timing of shipments (from the fourth quarter to the current third quarter of fiscal 2016), not offset by a 12.2% decrease in net sales in our women's sleepwear division resulting from fewer sales to an existing significant customer.

For the nine-month period ended November 30, 2016, net sales for the Apparel category were $86,937,000, which was virtually the same amount ($86,917,000) as last year's comparable period, but which resulted from a 7.1% increase in net sales in children's apparel business offset by a 18.1% decrease in our women's sleepwear businesses attributable, the latter due to a decrease in orders from significant customers in the current fiscal year's nine-month period compared to last year's comparable period.

Net sales totaling $6,652,000 for the Handbags category in the third quarter of fiscal 2017 represented a 34.8% decrease compared to $10,208,000 in net sales for the same quarter in fiscal 2016. The third quarter net sales decrease primarily reflected lower net sales (about $2,400,000) in the premium incentive business for the third quarter, which resulted from fewer orders with an existing customer versus last year's comparable third quarter, in addition to a 54.0% decrease in the handbag business attributable to a loss of a significant customer.

For the nine-month period ended November 30, 2016, net sales for the Handbags category were $31,214,000, a decrease of $4,947,000, or 13.7% lower than the prior comparable nine-month period. The net sales decrease relates primarily to decreases in both the handbag business ($3,826,000) and the premium incentive business ($1,121,000) for the same reasons given above.

Gross margins were 21.2% and 21.0% in the three-month and nine-month periods ended November 30, 2016, respectively, compared to 21.5% and 20.9% in the comparable periods ended November 30, 2015. Gross margins by category were as follows:

Gross margin for the Apparel category increased to 23.2% in the three-month period ended November 30, 2016 from 22.5% in last year's fiscal third quarter. This increase was primarily the result of higher margins in both the women's sleepwear business and the children's apparel business in the three-month period ended November 30, 2016, both attributable to product mix.

For the nine-month period ended November 30, 2016, gross margins for the Apparel category decreased to 22.8% from 23.4% in the prior comparable period due to lower margins in the women’s sleepwear business not offset by somewhat higher children’s apparel business margins, each attributable to product mix.

Gross margin for the Handbags category was much lower in the third quarter of fiscal 2017 compared to last year’s comparable third quarter (9.4% from 18.3%). This decrease was mainly due to much lower margins in our premium incentive business not offset by higher handbag business margins, in each case attributable to product mix. However, for the nine-month period ended November 30, 2016, gross margins for the Handbags category improved to 16.1% from 15.1% in the prior comparable period. While the premium incentive business had higher margins, our handbag business had slightly lower margins for the nine-month period ended November 30, 2016 compared to the comparable nine-month period last year.

Shipping, selling and administrative expenses for the three-month period ended November 30, 2016 increased by $750,000 to $9,303,000, (however, as a percentage of net sales, shipping, selling and administrative expenses was 20.0% for the third quarter of both fiscal 2016 and fiscal 2017). The net increase in shipping, selling and administrative expenses for the three-month period ended November 30, 2016 compared to the comparable period last year was mainly due to higher sales commission expenses totaling $294,000, higher product development costs of $204,000 (mostly recruitment and compensation expenses), as well as lower other income in the current three-month period compared to last year’s three months ended November 30, 2015, and by higher general and administrative expense totaling $83,000 (mostly attributable to much higher legal and consulting fees), as well as a reduction in the provision for doubtful accounts of $155,000.

For the nine-month period ended November 30, 2016, shipping, selling and administrative expenses decreased by $337,000 to $24,910,000 (shipping, selling and administrative expenses as a percentage of net sales was slightly higher at 21.1% from 20.5% in the prior year’s comparable nine-month period). The net decrease in shipping, selling and administrative expenses for the nine-month period ended November 30, 2016, compared to the prior comparable period, mainly resulted from lower general and administrative expenses ($528,000) attributable to lower compensation expense not offset by much higher legal and consulting fees incurred, and by lower sales compensation and commissions totaling $360,000, not fully offset by higher product development expense totaling $539,000 (mostly sample related expenses).

Interest expense totaled $74,000 and $170,000 in the three and nine-month periods ended November 30, 2016, compared to $62,000 and $163,000 in the three and nine-month periods ended November 30, 2015, respectively. The increase in interest expense for both periods is primarily the result of a slightly higher interest rate for the current three and nine-month periods ended November 30, 2016 versus last year’s comparable periods.

For the three-month period ended November 30, 2016 the Company had earnings before income taxes of $489,000, compared to $552,000 in the comparable quarter ended November 30, 2015. The lower level of earnings before income taxes for the three-month period ended November 30, 2016 compared to last year’s comparable period, was primarily attributable to higher net sales and higher gross profit dollars offset by higher selling general and administrative expenses, and higher interest expense, as discussed above for the comparable three-month periods.

For the nine-month period ended November 30, 2016 the Company had a loss before income tax benefit of $263,000. This compares with pre-tax earnings in the prior year's comparable nine-month period $354,000. The nine-month period loss before income taxes was due to lower net sales and gross profit dollars, as well as higher interest expense, and higher selling general and administrative expenses, for the same reasons discussed above for the comparable nine-month periods.

For the three-month period ended November 30, 2016 the Company had net earnings totaling $260,000. This compares to net earnings for the three-month period ended November 30, 2015 of $242,000.

For the nine-month period ended November 30, 2016 the Company had a net loss totaling $153,000. This compares to net earnings for the nine-month period ended November 30, 2015 of $155,000.

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, Co-President and Co-Chief Executive Officer of Jaclyn, Inc., certify that:

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

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements made, not misleading with respect to the period covered by this disclosure statement; and

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

Date: January 17, 2017

/s/ Robert Chestnov

I, Allan Ginsburg, Co-President and Co-Chief Executive Officer of Jaclyn, Inc., certify that:

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

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements made, not misleading with respect to the period covered by this disclosure statement; and

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

Date: January 17, 2017

/s/ Allan Ginsburg

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

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

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements made, not misleading with respect to the period covered by this disclosure statement; and

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

Date: January 17, 2017

/s/ Anthony Christon

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

	November 30, 2016 (Unaudited)	February 29, 2016 (See below)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,689	$ 1,415
Accounts receivable, net	28,668	35,059
Inventories	13,806	12,786
Prepaid expenses and other current assets	2,896	2,664
TOTAL CURRENT ASSETS	48,059	51,924
Property, plant and equipment, net	3,209	3,337
Notes receivable	-	-
Goodwill	3,338	3,338
Other assets	224	171
TOTAL ASSETS	$ 54,830	$ 58,770
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable – bank	$ 13,100	$ 19,400
Accounts payable	9,280	6,320
Other current liabilities	8,087	8,530
TOTAL CURRENT LIABILITIES	30,467	34,250
Other liabilities	1,566	1,570
COMMITMENTS AND CONTINGENCIES		
Stockholders' equity:		
Preferred stock, none issued and outstanding	-	-
Common stock	3,369	3,369
Additional paid-in capital	9,471	9,471
Retained earnings	18,313	18,466
	31,153	31,306
Less: Common shares in treasury at cost	8,356	8,356
TOTAL STOCKHOLDERS' EQUITY	22,797	22,950
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 54,830	$ 58,770

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 and Per Share Amounts)

	Three Months ended November 30,		Nine Months ended November 30,	
	2016	2015	2016	2015
Net sales	$ 46,562	$ 42,642	$ 118,151	$ 123,078
Cost of goods sold	36,696	33,475	93,334	97,314
Gross profit	9,866	9,167	24,817	25,764
Shipping, selling and administrative expenses	9,303	8,553	24,910	25,247
Interest expense	74	62	170	163
Earnings (loss) before income taxes	489	552	(263)	354
Provision (benefit) for income taxes	229	310	(110)	199
Net earnings (loss)	$ 260	$ 242	($153)	$ 155
Net earnings (loss) per common share – basic	$ .12	$ .11	$ (.07)	$ .07
Weighted average number of shares outstanding - basic	2,194,000	2,280,000	2,194,000	2,280,000
Net earnings (loss) per common share – diluted	$ .12	$ .11	$ (.07)	$ .07
Weighted average number of shares outstanding - diluted	2,194,000	2,280,000	2,194,000	2,280,000

See notes to condensed consolidated unaudited financial statements.

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

	Nine Months Ended November 30, 2016	Nine Months Ended November 30, 2015
Cash Flows From Operating Activities:		
Net (loss) earnings	$ (153)	$ 155
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	222	252
Allowance for doubtful accounts	(33)	19
Changes in assets and liabilities:		
Accounts receivable, net	6,424	330
Inventories	(1,020)	(438)
Prepaid expenses and other assets	(285)	(136)
Accounts payable and other current liabilities	2,513	3,220
Net cash provided by operating activities	7,668	3,402
Cash Flows From Investing Activities:		
Purchase of property and equipment	(94)	(305)
Proceeds from notes receivable	-	993
Net cash (used in) provided by investing activities	(94)	688
Cash Flows From Financing Activities:		
Net decrease in notes payable - bank	(6,300)	(4,300)
Net cash used in financing activities	(6,300)	(4,300)
Net increase (decrease) in Cash and Cash Equivalents	1,274	(210)
Cash and Cash Equivalents, beginning of period	1,415	1,371
Cash and Cash Equivalents, end of period	$ 2,689	$ 1,161
Supplemental Cash Flow Disclosures:		
Interest paid	$ 183	$ 179
Taxes paid	$ 720	$ 118

See notes to condensed consolidated unaudited financial statements.

JACLYN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED, In Thousands, except Share Amounts)
NINE MONTHS ENDED NOVEMBER 30, 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	-	-	-	(153)	-	-	(153)
Balance, November 30, 2016	3,368,733	$3,369	$9,471	$18,313	1,175,052	$8,356	$ 22,797

See notes to unaudited condensed consolidated financial statements.

JACLYN, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 - SIGNIFICANT ACCOUNTING POLICIES

Description of Business

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

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

Basis of Presentation

The accompanying unaudited condensed consolidated balance sheet as of November 30, 2016, the condensed consolidated statements of operations and the condensed consolidated statements of cash flows for the three and nine-month periods ended November 30, 2016 and 2015, respectively, and the condensed consolidated statements of stockholders' equity for the nine-month period ended November 30, 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 2016 Annual Disclosure Statement for the fiscal year ended February 29, 2016. The results of operations for the nine-month period ended November, 30, 2016 are not necessarily indicative of operating results for the full fiscal year.

Share-Based Compensation

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

JACLYN, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 - STOCK OPTIONS

Stock-Based Compensation

The Company maintains the Jaclyn, Inc. 2007 Stock Incentive Plan, or the “2007 Plan,” which was approved by stockholders in 2007. The 2007 Plan permits the Company to make grants of stock options, stock appreciation rights, or “SARs,” restricted stock, restricted stock units, and stock awards to employees, as well as stock options, SARs, restricted stock, and restricted stock units to its non-employee directors. As of November 30, 2016 there were no outstanding stock options or other awards under the 2007 Plan and a shares of common 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 and nine-month period ended November 30, 2016.

3 – INVENTORIES

Inventories consist of the following components (in thousands):

	November 30, 2016	February 29, 2016
Finished Goods	$ 13,806	$ 12,786
	$ 13,806	$ 12,7886

JACLYN, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 - NET EARNINGS PER SHARE

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

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2016	2015	2016	2015
Basic Net Earnings (Loss) Per Common Share:				
Net Earnings (Loss)	$ 260	$ 242	$ (153)	$ 155
Basic Weighted Average Shares Outstanding	2,194,000	2,280,000	2,194,000	2,280,000
Basic Net Earnings (Loss) Per Common Share	$ .12	$ .11	$ (.07)	$ .07

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2016	2015	2016	2016
Diluted Net Earnings (Loss) Per Common Share:				
Net Earnings (Loss)	$ 260	$ 242	$ (153)	$ 155
Basic Weighted Average Shares Outstanding	2,194,000	2,280,000	2,194,000	2,280,000
Add: Dilutive Options	-	-	-	-
Diluted Weighted Average Shares Outstanding	2,194,000	2,280,000	2,194,000	2,280,000
Diluted Net Earnings (Loss) Per Common Share	$ .12	$ .11	$ (.07)	$ .07

At November 30, 2016, there were no outstanding options to purchase shares of the Company's common stock.

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 November 30, 2016 the Company had $15,398,000 of additional availability (based on the borrowing formula) under its credit facility. At November 30, 2016 the interest rate on borrowing was 2.5%, and the Company was contingently obligated on open letters of credit with an aggregate face amount of $6,369,000.

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 parking 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 were secured by a first priority mortgage on a portion of the properties sold by the Company.

On May 14, 2015, D. R. Mon Group, Inc. made a $500,000 payment on the final outstanding principal balance ($992,657) of the remaining note. The Company agreed to extend the maturity date of this note by three months, from June 15, 2015 to September 15, 2015. On September 15, 2015, D.R. Mon Group, Inc. made the final payment on the balance of the remaining note totaling $492,657.

7 - REPURCHASE OF SHARES FOR TREASURY

The Company previously announced that the Board of Directors authorized the repurchase by the Company of up to 475,000 shares of its common stock and the Company purchased 365,033 shares of common stock through the end of the second quarter of fiscal 2013. During the third quarter of fiscal 2013, the Company announced that the Board of directors authorized the repurchase by the Company of an additional 240,033 shares of common stock (or a revised total of up to 350,000 shares of its common stock), which may be made from time to time in the open market, through privately negotiated transactions (subject to general market and other conditions), and may be made from both affiliates and control stockholders of the Company, and from unaffiliated stockholders of the Company. The Company intends to finance all such repurchases from its own funds from operations and/or from its bank credit facility. During the nine-month period ended November 30, 2016, the Company did not purchase any shares of common stock under this repurchase program.

As of November 30, 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.

8 - COMMITMENTS AND CONTINGENCIES

As of November 30, 2016, 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.

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	$ 508
2018	1,778
2019	1,565
2020	299
2021	208
Thereafter	253
	$4,611

8 - COMMITMENTS AND CONTINGENCIES (Continued)

The Company has entered into licensing arrangements with several companies. There are no minimum royalties as of November 30, 2016.

From time to time, the Company and its subsidiaries may be subject to claims and may become a party to legal proceedings that arise in the normal course of business. At November 30, 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 November 30, 2016.

9 - INCOME 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.