Q.E.P. CO., INC. AND SUBSIDIARIES

Consolidated Financial Statements
For the Years Ended February 28, 2021 and February 29, 2020

C O N T E N T S

Page

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Q.E.P. Co., Inc.

We have audited the accompanying consolidated financial statements of Q.E.P. Co., Inc. (a Florida corporation) and subsidiaries, which comprise the consolidated balance sheets as of February 28, 2021 and February 29, 2020, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the 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.

Auditor's 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 audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 Q.E.P. Co., Inc. and subsidiaries as of February 28, 2021 and February 29, 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Fort Lauderdale, Florida
June 14, 2021

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except par values)

	February 28, 2021	February 29, 2020
ASSETS		
Cash	$ 10,905	$ 4,999
Accounts receivable, less allowance for doubtful accounts of $1,059 and $475 as of February 28, 2021 and February 29, 2020, respectively	53,183	49,264
Inventories	67,032	69,061
Prepaid expenses and other current assets	6,829	4,280
Prepaid income taxes	736	740
Current assets	**138,685**	**128,344**
Property and equipment, net	11,398	15,168
Right of use operating lease assets	16,417	18,320
Deferred income taxes, net	3,436	4,135
Intangibles, net	12,454	13,871
Goodwill	2,493	2,288
Other assets	2,840	2,824
Total Assets	**$ 187,723**	**$ 184,950**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	$ 40,900	$ 31,114
Accrued liabilities	23,475	19,366
Current operating lease liabilities	5,196	5,262
Lines of credit	21,010	40,107
Current maturities of notes payable	3,417	3,399
Current liabilities	**93,998**	**99,248**
Notes payable	9,438	7,854
Non-current operating lease liabilities	12,336	14,121
Deferred income taxes	172	114
Other long term liabilities	851	872
Total Liabilities	**116,795**	**122,209**
Preferred stock, 2,500 shares authorized, $1.00 par value; 0 shares issued and outstanding at February 28, 2021 and February 29, 2020	-	-
Common stock, 20,000 shares authorized, $.001 par value; 4,005 and 3,827 shares issued, and 3,309 and 3,139 shares outstanding at February 28, 2021 and February 29,2020, respectively	4	4
Additional paid-in capital	11,251	11,087
Retained earnings	71,785	64,887
Treasury stock, 696 and 688 shares held at cost at February 28, 2021 and February 29, 2020, respectively	(9,082)	(8,869)
Accumulated other comprehensive income	(3,030)	(4,368)
Shareholders' Equity	**70,928**	**62,741**
Total Liabilities and Shareholders' Equity	**$ 187,723**	**$ 184,950**

The accompanying notes are an integral part of these financial statements.

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per share data)

	For the Year Ended February 28, 2021	February 29, 2020
Net sales	$ 387,597	$ 393,901
Cost of goods sold	278,904	289,983
Gross profit	**108,693**	**103,918**
Operating expenses:		
Shipping	44,595	43,986
General and administrative	28,402	33,778
Selling and marketing	25,340	35,860
Impairment loss on goodwill	-	4,041
Restructuring	840	-
Other income, net	(1,593)	(1,035)
Total operating expenses	97,584	116,630
Operating income (loss)	**11,109**	**(12,712)**
Non-operating income (loss)	(24)	2,370
Interest expense, net	(1,603)	(2,441)
Income (loss) before provision for income taxes	**9,482**	**(12,783)**
Provision (benefit) for income taxes	2,584	(641)
Net income (loss)	**$ 6,898**	**$ (12,142)**
Earnings (loss) per share:		
Basic	$ 2.07	$ (3.64)
Diluted	$ 2.06	$ (3.64)
Weighted average number of common shares outstanding:		
Basic	3,336	3,340
Diluted	3,341	3,340

The accompanying notes are an integral part of these financial statements.

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	For the Year Ended	
	February 28, 2021	February 29, 2020
Net income (loss)	$ 6,898	$ (12,142)
Unrealized currency translation adjustments	1,338	(594)
Comprehensive income (loss)	**$ 8,236**	**$ (12,736)**

The accompanying notes are an integral part of these financial statements.

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Year Ended	
	February 28, 2021	February 29, 2020
Operating activities:		
Net income (loss)	$ 6,898	$ (12,142)
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gain)/loss on sale of businesses	24	(2,370)
Gain on sale of property	(1,066)	(10)
Impairment loss on goodwill	-	4,041
Restructuring	(453)	-
Depreciation and amortization	4,492	4,754
Other non-cash adjustments	523	273
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(3,168)	2,975
Inventories	2,102	19,480
Prepaid expenses and other assets	(3,137)	9,331
Trade accounts payable and accrued liabilities	18,632	(18,018)
Net cash provided by operating activities	**24,847**	**8,314**
Investing activities:		
Acquisitions	(461)	(1,324)
Capital expenditures	(811)	(1,339)
Proceeds from sale of businesses	200	4,663
Proceeds from sale of property	3,285	401
Purchase of equity securities	-	(1,900)
Net cash provided by investing activities	**2,213**	**501**
Financing activities:		
Net repayments under lines of credit	(20,621)	(8,397)
Net repayments of notes payable	(599)	(1,408)
Purchase of treasury stock	(120)	(155)
Principal payments on finance leases	(96)	(21)
Net cash used in financing activities	**(21,436)**	**(9,981)**
Effect of exchange rate changes on cash	282	(302)
Net decrease in cash	**5,906**	**(1,468)**
Cash at beginning of period	4,999	6,467
Cash at end of period	**$ 10,905**	**$ 4,999**

The accompanying notes are an integral part of these financial statements.

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except share data)

	Preferred Stock		Common Stock		Paid-in	Retained	Treasury	Accumulated Other Comprehensive	Total Shareholders
	Shares	Amount	Shares	Amount	Capital	Earnings	Stock	Income	Equity
Balance at February 28, 2019	**-**	**$ -**	**3,820,785**	**$ 4**	**$ 10,963**	**$ 77,029**	**$ (8,700)**	**$ (3,774)**	**$ 75,522**
Net loss						(12,142)			(12,142)
Other comprehensive income (loss)								(594)	(594)
Issuance of common stock in connection with exercise of stock options			5,857	-	124				124
Purchase of treasury stock							(169)		(169)
Balance at February 29, 2020	**-**	**-**	**3,826,642**	**4**	**11,087**	**64,887**	**(8,869)**	**(4,368)**	**62,741**
Net income						6,898			6,898
Other comprehensive income (loss)								1,338	1,338
Purchase of treasury stock							(213)		(213)
Stock-based compensation expense					164				164
Stock dividends			178,728	-					-
Balance at February 28, 2021	**-**	**$ -**	**4,005,370**	**$ 4**	**$ 11,251**	**$ 71,785**	**$ (9,082)**	**$ (3,030)**	**$ 70,928**

The accompanying notes are an integral part of these financial statements.

Q.E.P. CO., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Founded in 1979, Q.E.P. Co., Inc. is a leading global provider of high quality, innovative and value-driven flooring and flooring installation solutions. QEP manufactures, markets and sells a comprehensive line of flooring installation tools, adhesives, and underlayment for both consumers as well as professional installers. Under the Harris Flooring Group ™, QEP manufactures and offers a complete line of hardwood, luxury vinyl, and modular carpet tile. QEP sells its products throughout the world to home improvement retail centers, professional specialty distribution outlets, and flooring dealers under brand names including QEP®, LASH®, Roberts®, Harris Flooring Group™, Capitol®, Harris®Wood, Kraus®, Naturally Aged Flooring™, Vitrex®, Homelux®, Brutus®, PRCI®, Plasplugs®, Tomecanic®, Premix-Marbletite® (PMM), Apple Creek® and Elastiment®.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Q.E.P. Co., Inc. and its wholly owned subsidiaries, after eliminating all significant inter-company accounts and transactions.

Covid-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout North America and other regions in which the Company operates. As a result, the Company experienced a decline in sales volume. The Company has taken measures to adapt to operating in this challenging environment, such as: lower personnel costs, through reduction in force and employee furlough activities; lower marketing and travel expenses; along with government wage subsidies received by the Company's international operations for maintaining employment levels. While the duration of the pandemic remains uncertain, the access to vaccination has increased in all countries where the Company operates. Therefore, while the Company expects the COVID-19 pandemic to negatively impact its business, results of operations, financial position, and could lead to further asset impairment, the related financial impact cannot be reasonably estimated at this time.

Accounts and Notes Receivable

The Company's accounts receivable principally are due from home improvement retailers, professional specialty distributors and flooring dealers. Credit is extended based on an evaluation of a customer's financial condition and collateral is not required. Accounts receivable are due at various times based on each customer's selling arrangements and credit worthiness. The outstanding balances are stated net of an allowance for doubtful accounts. The Company determines its allowance for accounts receivable by considering a number of factors, including the extent to which trade accounts receivable are past due, loss history, customers' ability to pay, and the general condition of the economy and the industry as a whole. Uncollectible accounts are written off against the allowance. Payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

The Company's notes receivable are initially recognized at fair value. The Company does not subsequently adjust the fair value of these notes receivable unless it is determined that the note receivable is impaired. As with its accounts receivable allowance, the Company considers the issuer's financial condition, payment history, and other relevant factors when assessing the collectability of the note and reserves a portion of such note for which collection does not appear likely. Interest income is recognized as earned.

The balance of the note receivable is $1.9 million as of February 28, 2021 and $2.3 million as of February 29, 2020 and is included in prepaid expenses and other current assets.

Inventories

Inventories are stated at the lower of standard cost and net realizable value, which approximates the lower of cost on a first-in, first-out basis and net realizable value. Standard costs include the manufacturing or purchase costs of a product, as well as related freight, duties and fees.

Property and Equipment

Property and equipment are stated at cost. Depreciation is recorded using the straight-line method in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Leasehold improvements are amortized over their expected useful life or the remaining life of the respective lease, whichever is shorter.

The following are the estimated lives of the Company's property and equipment:

Machinery and warehouse equipment	3 to 10 years
Furniture and computer equipment	3 to 10 years
Buildings	30 years
Leasehold improvements	5 to 10 years

Maintenance and repairs are charged to expense. Significant renewals and betterments are capitalized. When property is sold or otherwise disposed of the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations for the period.

Impairment of Long-Lived Assets

The Company evaluates its property and equipment for impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount to its fair value. If an asset is considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the asset exceeds its fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Income Taxes

Deferred income taxes are based on the estimated future tax effects of differences between the financial statement and tax basis of assets, and liabilities and on available net operating loss carry forwards. Deferred income tax provisions and benefits are based on changes to the basis of assets or liabilities from year to year. In providing for deferred taxes, the Company considers tax regulations of the jurisdictions in which it operates, estimates of future taxable income and available tax planning strategies. If tax regulations, operating results or the ability to implement tax-planning strategies vary, adjustments to the carrying value of deferred tax assets and liabilities may be required.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position upon examination. For tax positions meeting the "more-likely-than-not" threshold, the amount recognized in the financial statements generally is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority as adjusted for future economic uncertainties. Penalties and interest on the Company's reserve for uncertain tax positions are included in provision for income taxes.

Intangible Assets

The Company evaluates goodwill and indefinite lived intangibles for impairment annually or whenever events or circumstances indicate that the fair value of a reporting unit may not exceed its carrying amount, including goodwill. The Company amortizes the cost of other intangibles over their estimated useful lives and tests such items for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If the Company determines that an intangible asset is impaired, it is written down to its fair value.

Leases

On March 1, 2019, the Company adopted ASU 2016-02, "Leases (Topic 842)" using the modified retrospective transition method, which requires recognition of leases differently pre- and post-adoption.

Lease agreements represent contracts that convey the right to control the use of an asset, which include warehouse, office space, equipment and vehicles. The Company classifies leases at their inception as operating, unless the occurrence of conditions listed in ASC 842 requires a classification as finance leases.

Right of use assets and lease liabilities are measured at commencement date at the present value of the future minimum lease payments over the lease term. Minimum lease payments include fixed, and variable lease payments depending on an index or rate, as determined at the lease inception date. Variable lease payments not based on an index or rate are not included in the capitalized base, as they cannot be reasonably estimated. These variable lease payments are recognized as incurred and they consist primarily of common area maintenance, property taxes and charges based on usage.

The Company uses an incremental borrowing rate to determine the present value of lease payments, since the implicit rate is not readily determinable for the majority of the contracts.

Lease terms include any renewal option that the Company is reasonably certain to exercise. This determination is made based on market factors or other strategic considerations. A substantial majority of the Company's leases have remaining lease terms of one to 14 years, with options that can extend the lease term for a period between 3 and 11 years.

Some of the Company's leases include periodical adjustments to rental payments due to inflation or other step increases. The Company's leases do not contain any material residual value guarantees or material restrictive covenants.

The Company subleases warehouse space to third parties. The sublease agreements are classified as operating leases.

Earnings (Loss) Per Share

Basic earnings (loss) per share are computed based on weighted average shares outstanding during the period. Diluted earnings (loss) per share are computed using the weighted average number of common and dilutive common stock equivalent shares outstanding during the period. Dilutive common stock equivalent shares consist of the dilutive effect of stock options and restricted stock awards.

Basic and diluted earnings (loss) per share for prior periods are retrospectively adjusted as a consequence of a change in capital structure, for example stock dividends and stock splits.

Fair Value of Financial Instruments

The carrying amount of financial instruments, including cash, accounts receivable, notes receivable, accounts payable, accrued liabilities, lines of credit and notes payable, approximate fair value due to the short maturity, variable interest rates and other terms of these instruments.

Foreign Currencies

The consolidated financial statements are presented in US Dollars. The financial statements of subsidiaries outside the United States are measured using the local currency as the functional currency. Assets and liabilities recorded in foreign currencies are translated at the exchange rate on the balance sheet date. Translation adjustments resulting from this process are charged or credited to equity. Revenues and expenses are translated at average rates of exchange prevailing during each month of the year. Gains and losses on foreign currency transactions are included in general and administrative expenses. Foreign currency transactions resulted in gain of $0.5 million and loss of $0.7 million in fiscal years 2021 and 2020, respectively.

Revenue Recognition

Revenue recognition is evaluated through the following five steps: 1) identification of the contracts with customers; 2) identification of the performance obligations in the contracts; 3) determination of the transaction price; 4) allocation of the transaction price to the performance obligations in the contract; and 5) recognition of revenue as or when performance obligations are satisfied.

Revenue is recognized at a point in time when title and control to merchandise has passed to the customer, typically when shipped. The significant majority of the Company's contracts with its customers are for standard product sales under standard ship and bill arrangements and are generally accounted for as having a single performance obligation and the transaction price is agreed upon in the contract. Contracts do not have significant financing components and payment terms do not exceed one year from the date of the sale. Adjustments for price adjustments, rebates, allowances, and certain advertising and promotional costs are variable consideration and are recorded as a reduction of product sales revenue in the same period the related product sales are recorded. The Company does not incur significant credit losses from contracts with customers. The Company establishes reserves for returns and allowances based on current and historical information and trends. Net sales have been reduced by such amounts. Taxes collected from customers and remitted to governmental authorities are excluded from revenues.

Shipping Costs

The Company treats shipping and handling activities that occur after control of the product transfers as fulfillment activities, and therefore, does not account for shipping and handling costs as a separate performance obligation. Shipping costs to customers are expensed as incurred and included in shipping expenses. Shipping costs billed to customers are included in net sales.

Advertising Allowances and Costs

Advertising allowances are expensed as incurred and totaled $2.0 million and $2.1 million for the years ended February 28, 2021 and February 29, 2020, respectively. In return, the Company's products are advertised in various forms of media on a local, regional or national level. The Company's products are also displayed on in-store signage and the Company receives the benefit of advertising its products directly to professional contractors. The Company is not able to reasonably estimate the fair value of the benefit received under these arrangements. Accordingly, the Company accounts for these promotional funds as a reduction to the selling price and the costs are included in net sales.

Advertising costs are expensed as incurred and totaled $0.9 million and $1.3 million for fiscal years 2021 and 2020, respectively. These costs are recorded in selling and marketing expenses and primarily consist of advertising through direct media and in trade publications.

Warranty Costs

The Company provides for estimated product warranty expenses when it sells the related product. Since warranty estimates are forecasts that are based on the best available information, mostly historical claims experience, the claims costs may differ from amounts provided. A warranty accrual of approximately $1.1 million was recorded as of February 28, 2021 and $1.2 million as of February 29, 2020. This accrual represents management's best estimate of its probable future liability for warranty claims related to its products, including wood, laminate, adhesives, and tools, based on a lag analysis of historical warranty claims made and paid.

Use of Estimates

In preparing financial statements, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and of the revenues and expenses during the reporting period. Significant estimates include the valuation of deferred income taxes, impairment evaluation of goodwill, other intangible assets and long-lived assets, inventory valuation and product warranty reserves, the allowance for doubtful accounts, and the fair value of assets acquired and liabilities assumed in business combinations. Actual results could differ from those estimates.

Comprehensive Income (Loss)

Comprehensive income (loss) includes net income (loss) as currently reported and also considers the effect of additional economic events that are not required to be recorded in determining net income but that are reported as a separate component of shareholders' equity. The Company's balance in comprehensive income (loss) is derived from currency translation adjustments.

New Accounting Standards

In August 2018, the FASB released 2018-15 "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract", which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This guidance can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The new guidance is effective for public business entities in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The adoption of this guidance by the Company in fiscal year 2021 did not have a material impact on its financial statements.

In February 2019, the FASB released ASU 2019-12 "Income Taxes-Simplifying the Accounting for Income Taxes (Topic 740)", which simplified the accounting for income taxes in several areas by removing certain exceptions and by clarifying and amending existing guidance applicable to accounting for income taxes. The new guidance is effective for public business entities in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company is assessing what impacts this new standard will have on its financial statements.

In June 2016, the FASB released ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326)," which introduces new guidance for the accounting for credit losses. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model. The new guidance is effective for public business entities, excluding entities eligible to be smaller reporting companies as defined by the SEC, in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Effective for all other entities, for fiscal years, and interim periods within those fiscal years beginning after December 15, 2022. Early adoption is permitted for all entities. The Company is assessing what impacts this new standard will have on its financial statements.

In March 2020, the FASB released ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting," which provides practical expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the amendments in this update apply only to contracts, hedging relationships, and other transactions that reference the London interbank offered rate ("LIBOR") or another reference rate expected to be discontinued as a result of reference rate reform. These amendments are not applicable to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. ASU No. 2020-04 is effective as of March 12, 2020 through December 31, 2022 and may be applied to contract modifications and hedging relationships from the beginning of an interim period that includes or is subsequent to March 12, 2020. The Company will adopt this standard when LIBOR is discontinued. The Company is assessing what impacts this new standard will have on its financial statements.

In August 2020, the FASB released ASU 2020-06, "Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity", which addresses the issues identified as a result of the complexity associated with applying generally accepted accounting principles for certain financial instruments with characteristics of liabilities and equity. The new guidance is effective for public business entities, excluding entities eligible to be smaller reporting companies as defined by the SEC, in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Effective for all other entities, for fiscal years, and interim periods within those fiscal years beginning after December 15, 2023. Early adoption is permitted for all entities. The Company is assessing what impacts this new standard will have on its financial statements.

3. ACQUISITIONS AND SALE OF BUSINESS

Acquisitions

During the fiscal years ended February 28, 2021 and February 29, 2020 the Company did not make any acquisitions.

Sale of Business

On February 18, 2021, the Company sold net assets of its mortar manufacturing and distribution operation, owned by its North American subsidiary Boiardi Products Corporation. The purchase price was $0.2 million. The transaction included accounts receivable, inventory, furniture and office equipment, machinery and production equipment, and prepaid expenses. The purchaser assumed one facility lease, certain unfulfilled customer orders and identified accounts payable and accrued expenses. In addition, the majority of employees working in the Boiardi business were transferred to the purchaser. The total assets transferred to the purchaser was $0.3 million. A loss of less than $0.1 million is recorded in non-operating income.

On March 15, 2019, the Company sold net assets utilized in manufacturing and distribution of tack strip and underlayment flooring products which were previously part of the North America segment. The purchase price was $4.7 million. The transaction included all inventory, equipment and intangible assets needed to produce these products. The purchaser assumed one facility lease. In addition, the majority of employees working in the facility were transferred to the purchaser. The total assets transferred to the purchaser was $2.3 million. A gain of $2.4 million is recorded in non-operating income.

4. RESTRUCTURING

The Company began the process of restructuring its Canadian operating subsidiary, Roberts Company Canada Limited on June 29, 2020 under the Companies' Creditor Arrangement Act (CCAA). The CCAA filing was necessitated by the Canada subsidiary's lack of liquidity, which was further exacerbated by the negative impact of the COVID-19 pandemic. The subsidiary had substantially completed its reorganization as of February 28, 2021, and is expected to fully emerge from CCAA protection in fiscal 2022. The Company recognized in its North American segment net $0.8 million in restructuring cost for the fiscal year ended February 28, 2021, classified as restructuring within operating expenses. This is also the total expected restructuring cost. The costs of the restructuring, principally relate to legal and professional fees, compromised vendor claims, inventory liquidation, employee termination benefits and facility exit costs. The Company recognized no restructuring costs in prior year. Restructuring liability as of February 28, 2021 was $1.6M representing promissory notes issued in connection with the Company's Canadian subsidiary plan of compromised and arrangement with its unsecured creditors.

5. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net income, after deducting preferred stock dividends, by the weighted average number of shares of common stock outstanding. Diluted earnings (loss) per share is computed by dividing net income, after deducting preferred stock dividends, by the weighted average number of shares of common and dilutive common stock equivalent shares outstanding. The Company did not pay a preferred stock dividend in any of the periods presented. There were no anti-dilutive common stock equivalent shares in fiscal year 2021 or 2020.

Fiscal year 2020 and 2021 earnings per share were retrospectively adjusted as a result of a five percent per common share stock dividend declared by the Company's Board of Directors on January 13, 2021. The stock dividend was distributed on February 23, 2021.

The following is a reconciliation of the number of shares used in the basic and diluted computation of earnings per share (in thousands):

	For the Year Ended	
	February 28, 2021	February 29, 2020
Weighted average number of common shares outstanding - basic	3,336	3,340
Dilution from stock options and restricted stock diluted	5	-
Weighted average number of common shares outstanding - diluted	3,341	3,340

6. SEGMENT INFORMATION

The Company operates in three business segments: North America, Europe and Australia/New Zealand. Management has chosen to organize the segments into geographic areas, with each segment being the responsibility of a segment manager. Each segment markets and sells to home improvement retailers, professional specialty distributors and flooring dealers. The Europe segment is made up of operations in the UK, France and Germany while the North America segment is made up of operations in the United States and Canada.

The performance of the business is evaluated at the segment level. Cash, debt and income taxes generally are managed centrally. Accordingly, the Company evaluates performance of its segments based on operating earnings exclusive of financing activities and income taxes.

Segment results were as follows (in thousands):

	For the Year Ended February 28, 2021	For the Year Ended February 29, 2020
Net sales:		
North America	$ 286,163	$ 302,441
Europe	41,224	39,865
Australia/New Zealand	60,210	51,595
Total	$ 387,597	$ 393,901
Operating income:		
North America	$ 6,010	$ (13,123)
Europe	2,603	1,163
Australia/New Zealand	2,496	(752)
Total	$ 11,109	$ (12,712)
Depreciation and amortization:		
North America	$ 2,681	$ 2,999
Europe	1,385	1,342
Australia/New Zealand	426	413
Total	$ 4,492	$ 4,754
Capital expenditures:		
North America	$ 642	$ 856
Europe	112	396
Australia/New Zealand	57	87
Total	$ 811	$ 1,339

	February 28, 2021	February 29, 2020
Total assets:		
North America	$ 129,582	$ 132,026
Europe	36,136	34,582
Australia/New Zealand	22,005	18,342
Total	$ 187,723	$ 184,950

As of February 28, 2021 and February 29, 2020, total assets included $26.3 million and $31.3 million, respectively, consisting of net property and equipment and net intangibles and goodwill, including $15.8 million and $19.9 million, respectively, located in the North America segment and $9.2 million and $9.9 million, respectively, located in the Europe segment, and $1.3 million and $1.5 million located in the Australia/New Zealand segment. The fiscal year 2020 operating income includes a non-cash charge for impairment of goodwill in the Company's North America segment of $4 million.

Amounts are attributed to the country of the legal entity that recognized the sale or holds the assets.

7. INVENTORIES

Inventories consisted of the following (in thousands):

	February 28, 2021	February 29, 2020
Finished goods	$ 56,084	$ 61,257
Raw materials and work-in-process	10,948	7,804
Total inventory, net	$ 67,032	$ 69,061

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following (in thousands):

	February 28, 2021	February 29, 2020
Machinery and warehouse equipment	$ 20,754	$ 20,600
Building and leasehold improvements	8,439	10,718
Office furniture, equipment and computer equipment	10,428	9,721
	39,621	41,039
Less: Accumulated depreciation and amortization	(28,223)	(25,871)
Property and equipment, net	$ 11,398	$ 15,168

Depreciation expense of property and equipment was $2.5 and $2.6 million in fiscal year 2021 and 2020 respectively. Amortization of assets recorded under capital leases are not included in the depreciation expense above.

During fiscal 2021 the Company sold land and building with a carrying value of $1.9 million in Dalton, Georgia, recording a gain on sale through operating income of $1.1 million.

9. LEASES

Right of use assets and lease liabilities presented in the balance sheet as follows (in thousands):

	Consolidated balance sheets classification	February 28, 2021	February 29, 2020
Assets:			
Operating (1)	Right of use operating lease assets	$ 16,417	$ 18,320
Finance (2)	Other assets	406	410
Total lease assets		$ 16,823	$ 18,730
Liabilities:			
Current			
Operating	Current operating lease liabilities	$ 5,196	$ 5,262
Finance	Accrued liabilities	110	78
Non-current			
Operating	Non-current operating lease liabilities	12,336	14,121
Finance	Other long term liabilities	297	325
Total lease liabilities		$ 17,939	$ 19,786

(1) Operating leases assets are recorded net of accumulated amortization of $10.0 million and $5.2 million at February 28, 2021 and February 29, 2020 respectively.
(2) Finance leases assets are recorded net of accumulated amortization of $0.1 million and $0.1 million at February 28, 2021 and February 29, 2020 respectively.

The components of lease cost consisted of the following (in thousands):

	For the Year Ended February 28, 2021				
	Cost of goods sold	Shipping	General and administrative	Sales and marketing	Total
Operating					
Lease Cost	$ 1,292	$ 3,589	$ 1,476	$ 274	$ 6,631
Short Term Lease Cost	201	302	180	66	749
Variable Lease Cost	371	315	279	(31)	934
Sublease Income	(453)	-	-	-	(453)
Total operating expenses	$ 1,411	$ 4,206	$ 1,935	$ 309	$ 7,861

	For the Year Ended February 28, 2021			
	Shipping	General and administrative	Interest expense, net	Total
Finance				
Amortization of ROU Asset	$ 8	$ 94	$ -	$ 102
Interest on Lease Liabilities	-	18	1	19
Total finance expenses	$ 8	$ 112	$ 1	$ 121

	For the Year Ended February 29, 2020				
	Cost of goods sold	Shipping	General and administrative	Sales and marketing	Total
Operating					
Lease Cost	$ 1,316	$ 3,610	$ 1,240	$ 302	$ 6,468
Short Term Lease Cost	338	199	73	105	715
Variable Lease Cost	385	606	254	4	1,249
Sublease Income	(74)	-	-	-	(74)
Total operating expenses	$ 1,965	$ 4,415	$ 1,567	$ 411	$8,358

	For the Year Ended February 29, 2020		
	General and administrative	Interest expense, net	Total
Finance			
Amortization of ROU Asset	$ 14	$ -	$ 14
Interest on Lease Liabilities	-	3	3
Total finance expenses	$ 14	$ 3	$ 17

Maturities of lease liabilities consist of the following (in thousands):

Year Ending February 28,	Operating Leases	Finance Leases	Total
2022	$ 5,859	$ 125	$ 5,984
2023	4,753	125	4,878
2024	1,937	114	2,051
2025	1,546	75	1,621
2026	1,210	-	1,210
Thereafter	4,791	-	4,791
Total lease payments	20,096	439	$ 20,535
Less: amount representing interest	2,564	32	
Present value of lease liabilities	$ 17,532	$ 407	

The amounts presented above are not inclusive of approximately $1.0 million of leases that commenced after February 28, 2021 that created rights and obligations for the Company. These lease will commence primarily on fiscal year 2022.

Lease term and discount rates are as follows:

	February 28, 2021	February 29, 2020
Weighted average remaining lease term (years)		
Operating	3.63	6.29
Finance	5.92	4.83
Weighted average discount rate		
Operating	4.43%	4.58%
Finance	4.55%	4.55%

Supplemental cash flow information related to leases consists of the following (in thousands):

	For the Year Ended February 28, 2021	For the Year Ended February 29, 2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flow from operating leases	$ 6,757	$ 6,497
Operating cash flow from finance leases	19	3
Financing cash flow from finance leases	95	21
Right of use assets obtained in exchange for lease obligations		
Operating leases	$ 3,353	$ 3,076
Finance leases	96	424

10. INTANGIBLE ASSETS

Impairment of goodwill

During the last quarter of fiscal 2020, the Company determined that certain events, including a decline in sales had occurred that triggered the need to evaluate the carrying value of its goodwill for impairment. The Company engaged the assistance of an independent third-party specialist to determine the fair value of its reporting units which included an evaluation based on the market approach as well as a discounted cash flow. The resulting fair values led the Company to conclude that its North America goodwill was impaired. The Company recorded a non-cash impairment charge of $4.0 million.

A reconciliation of the beginning and ending balances of goodwill and other intangible assets is as follows (in thousands) for the years ended:

	Gross Carrying Amount of Goodwill			
	Total	North America	Europe	Australia/ New Zealand
Balance at February 28, 2019	$ 6,140	$ 4,047	$ 2,093	$ -
Acquisitions:				
PR Floors	257	-	-	257
Impairment loss	(4,036)	(4,036)	-	-
Unrealized currency translation adjustments	(73)	(11)	(62)	-
Balance at February 29, 2020	2,288	-	2,031	257
Unrealized currency translation adjustments	205	-	161	44
Balance at February 28, 2021	$ 2,493	$ -	$ 2,192	$ 301

	Gross Carrying Amounts of Intangibles				
	Total	Supply Agreements	Trade-marks	Customer Lists	Other Intangibles
Balance at February 28, 2019	$ 26,462	$ 9,034	$ 10,335	$ 6,486	$ 607
Sale:					
Halex	(594)	-	(347)	(247)	-
Unrealized currency translation adjustments	(478)	(263)	(389)	(115)	289
Balance at February 29, 2020	25,390	8,771	9,599	6,124	896
Unrealized currency translation adjustments	1,241	696	237	267	41
Balance at February 28, 2021	$ 26,631	$ 9,467	$ 9,836	$ 6,391	$ 937

Other intangible assets, which are subject to amortization, are as follows (in thousands):

	Remaining	February 28, 2021			February 29, 2020		
	Weighted Average Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Supply agreement	7	$ 9,467	$ (5,049)	$ 4,418	$ 8,771	$ (4,093)	$ 4,678
Trademarks	7	9,836	(4,899)	4,937	9,599	(4,211)	5,388
Customer lists	4	6,391	(3,416)	2,975	6,124	(2,520)	3,604
Other intangibles	1	937	(813)	124	896	(695)	201
		$ 26,631	$ (14,177)	$ 12,454	$ 25,390	$ (11,519)	$ 13,871

Amortization expense related to intangible assets was $2.0 million and $2.2 million for fiscal years 2021 and 2020, respectively. Estimated amortization expense for each of the fiscal years in the five year period ending in February 2026 is $2.0 million for 2022, $1.8 million for 2023, $1.6 million for 2024, $1.6 million for 2025, $1.6 million for 2026, and $3.9 million thereafter.

11. INVESTMENT IN EQUITY

During fiscal year 2020, the Company entered into an agreement with Hijos de Gaya Fores, a Spanish tile company for the purpose of purchasing 10% of its share capital. The Company contributed approximately $0.2 million in cash and financed $1.7 million with a sellers note for a total consideration of $1.9 million. The Company applied ASC 321, *Investments – Equity Securities*, and elected to measure the fair value of the investment at cost less impairment.

During fiscal year 2021 and fiscal year 2020, the Company determined that the investment was not impaired and did not record any unrealized gains and losses. This investment is included within other assets in the accompanying consolidated balance sheet.

12. DEBT

Debt consists of the following (in thousands):

	February 28, 2021	February 29, 2020
Lines of Credit:		
North America revolving credit facility	$ 18,653	$ 35,570
International credit facilities	2,357	4,537
	$ 21,010	$ 40,107
Notes Payable:		
Term loan facilities	$ 12,855	$ 11,253
Less current installments	3,417	3,399
	$ 9,438	$ 7,854

The aggregate maturities of notes payable for each of the fiscal years in the five year period ending in February 2026 are as follows: $3.4 million in 2022, $4.8 million in 2023, $4.6 million in 2024, none in 2024 and 2025.

Interest paid for all debt was $1.6 million in fiscal year 2021 and $2.4 million in fiscal year 2020.

General

On June 26, 2020, the Company and the lenders entered into a Forbearance Agreement that amended certain conditions within the loan agreement to establish future covenant targets and allowed the Company's Canadian subsidiary to file a plan of compromise or arrangement with the Ontario Superior Court of Justice under the Companies' Creditors Arrangement Act. The Forbearance Agreement limited the Company's investment in capital expenditures, modified the Company's reporting frequency and requirements to the lender and provided for additional liquidity for the Company through resetting certain FILO loans. Other terms and conditions of the loan agreement remained substantially unchanged.

On February 15, 2021, the Company and the lenders executed the Fifth Amended and Restated Loan and Security Agreement to waive the event of default, reset future covenant targets and terminate the Forbearance Agreement. Significant other terms and conditions of the loan agreement remain substantially unchanged.

Revolving Credit Facilities

The Company has a loan agreement with a domestic financial institution to provide an asset based revolving credit facility, term loans and mortgage financing. The Company is allowed to borrow a maximum of $85.0 million under the revolving credit facility based on a percentage of eligible North America and U.K. accounts receivable and inventories. The interest rate applicable to the revolving credit facility is equal to a range of the Contract Rate associated with the borrowed currency plus 2.00% to 2.50% for advances with fixed maturities or to a range of the Index Rate associated with the borrowed currency plus 1.00% to 1.50% for all other advances. The Contact Rate varies with fluctuations in money market conditions and may not be less than 0.5%.

The loan agreement permits the Company to allocate the maximum revolving credit facility between its North America and U.K. revolving credit facilities, is collateralized by substantially all of the Company's assets, requires the Company to maintain certain financial covenants, prohibits the Company from incurring certain additional indebtedness without the lender's prior agreement, limits certain investments, advances, loans and treasury stock purchases, restricts substantial asset sales and certain capital expenditures, and limits the payment of dividends.

At February 28, 2021, the interest rate under the North America revolving credit facility ranged from 2.75% to 5.75%, the Company had borrowed $21.9 million, including FILO loans, and $22.8 million was available for future borrowings, net of $3.7 million in an outstanding letter of credit and other reserves. At February 29, 2020, the interest rate under the revolving credit facility ranged from 2.96% to 7.25%, the Company had borrowed $38.8 million, including FILO loans, and $5.7 million was available for future borrowings, net of $8.0 million availability block and $2.3 million in outstanding letter of credit and other reserves.

At February 28, 2021, the interest rate under the UK revolving credit facility was the financial institution's Sterling Reference Rate (0.10% at February 28, 2021) plus 2.25%, the subsidiary had borrowed $0.1 million under the facility and $4.6 million was available for future borrowing. At February 29, 2020, the interest rate under the agreement was the financial institution's Sterling Reference Rate (1.25% at February 29, 2020) plus 0.75%, the subsidiary borrowed $2.3 million under the facility and $5.0 million was available for future borrowing.

The Company's Australian subsidiary has a revolving credit facility with an Australian financial institution that, as amended in September 2018, provides the subsidiary with advances of up to AUD 4.5 million ($3.5 million). The interest rate applicable to the facility is equal to the financial institution's Business Lending Rate (1.98% at February 28, 2021) plus 2.4% and (2.75% at February 29, 2020) plus 2.2%. The subsidiary's obligations under the facility are collateralized by substantially all of the subsidiary's assets and the Australian financial institution is indemnified against loss by the Company. The facility expires in January 2022. The subsidiary had borrowed $2.2 million under the facility at February 28, 2021 and $2.3 million under the facility at February 29, 2020.

The Company's French subsidiary has lines of credit with a French financial institution that, as amended through March 2016, allow it to borrow an aggregate of €1.0 million ($1.2 million), including €0.5 million against drafts presented for future settlement in payment of the subsidiary's accounts receivable and €0.5 million in working capital advances. As of February 28, 2021, the facilities bear interest at the Euro Interbank Offered Rate (minus 0.37% at February 28, 2021 and minus 0.37% at February 29, 2020) plus a range of 0.65% to 0.85%. The subsidiary had no borrowings under the facility at February 28, 2021 and at February 29, 2020.

Term Loan Facilities

The Company has a term loan under its domestic credit facility (the "2010 Term Loan") that bears interest equal to, at the option of the Company, the US Dollar Libor rate or the US dollar Base Rate interest rates applicable to the revolving credit facility. The facility has a term that varies with the term of the loan agreement and requires quarterly payment of principal of $0.2 million with a balloon payment upon maturity. The outstanding balance of the 2010 Term Loan was $4.0 million at February 28, 2021 and $4.9 million at February 29, 2020. In March 2021, pursuant to the Fifth Amended and Restated Loan and

Security Agreement, the Company borrowed additional $1.8 million under this facility.

During fiscal 2019, the Company's Australian subsidiary borrowed AUD 2.6 million ($2.0 million) in a term loan through the expansion of its existing credit facility. The term loan bears interest equal to the rate applicable to its revolving credit facility and will expire September 2023. The Australia Term Loan requires quarterly payments of principal of AUD 0.1 million. The outstanding balance of the Australia Term loan was $1.1 million at February 28, 2021 and $1.3 million at February 29, 2020. As of February 29, 2020, the Company's Australian subsidiary was not in compliance with certain requirements related to its debt obligation. However, the financial institution has waived its right to any further action until the covenant was re-tested as of November 30, 2020, at which time the subsidiary was determined to be in compliance with the all requirements.

During fiscal 2020, the Company borrowed EUR $1.6 million ($2.0 million) in a note payable in connection with the purchase of an equity investment in Hijos de Francisco Gayafores, S.L. The Gayafores Note Payable bears no interest and matures January 2021. On October 2020, the note payable was extended to mature on March, 2022. The note is discounted at the imputed interest rate equal to FILO Loan rate at the month the note was issued, equal to 5.75%. The outstanding balance of the Gayafores Note Payable, net of discount, was $2.0 million at February 28, 2021 and $1.7 million at February 29, 2020.

During fiscal 2021, the Company entered into a convertible subordinated promissory note with the Company's current Executive Chairman. The note provided the Company with $1.5 million of additional liquidity, has a maturity date of January 2024, and is subordinate to the Company's domestic financial institution. The note can be converted to shares of common stock of the Company at the Executive Chairman's election at a conversion rate based on the outstanding principal and interest divided by the closing price of the Company's common stock on the date of conversion. Interest on the note payable quarterly in arrears at an annual interest rate of 12.5%. The outstanding balance of the convertible note was $1.1 million at February 28, 2021.

During fiscal 2021, the Company's Canadian subsidiary entered into a promissory note in the amount of CAD $2.3 million ($1.8 million) in connection with the Company's Creditors Arrangement Act. The note bears no interest and requires 18 monthly equal payments commencing on January 2021. The note is discounted at the imputed interest rate equal to FILO Loan rate at the month the note was issued, equal to 7.00%. The outstanding balance of the promissory note, net of discount, was $1.5 million at February 28, 2021.

13. CONTINGENCIES

The Company is subject to federal, state and local laws, regulations and ordinances regarding water discharges, hazardous and solid waste management, air quality, and other environmental matters (together, "Environmental Laws"). The Company also must obtain and comply with a wide variety of environmental registrations, licenses, permits, inspections and other approvals in conducting its operations (together, "Approval Requirements"). Failure to comply with Environmental Laws or Approval Requirements may expose the Company to significant fines and penalties.

The Company's management is not aware of any situation requiring remedial action by the Company that, because of liability under Environmental Laws or Approval Requirements, would have a material adverse effect on the Company as a whole. The Company continually evaluates its operations to identify potential environmental exposures and for its compliance with regulatory requirements, but can give no assurance that it will not incur any material costs or liability in the future.

Premix-Marbletite Manufacturing Co. ("Premix"), a subsidiary of the Company, is a defendant in one case and a co-defendant in 43 cases (a total of 44 cases), where the plaintiffs are seeking unspecified damages due to injuries allegedly sustained as a result of exposure to products containing asbestos, which, in the case of Premix, were manufactured in excess of thirty years ago. Imperial Industries Inc. ("Imperial"), Premix's parent company, also is named as a co-defendant in 21 of those cases and as a defendant in one separate case in which Premix is not a named defendant. Insurance carriers that provide umbrella/excess coverage for these pending cases have, under a reservation of rights, appointed outside counsel to represent and defend Premix and Imperial. These policies are not subject to a deductible or self-insured retention. Premix and Imperial believe that, based on past settlements and outcomes of asbestos cases, there should be adequate insurance coverage for these pending cases.

The Company is otherwise involved in litigation from time to time in the ordinary course of its business. Based on information currently available to management, the Company does not believe that the outcome of any legal proceeding in which the Company is involved will have a material adverse impact on the Company.

The Company maintains deposits of cash from time to time in excess of federally insured limits with certain financial institutions and, accordingly, the Company is subject to credit risk. The Company evaluates the credit standing of financial institutions with which it maintains such balances.

14. EMPLOYEE BENEFIT PLANS

The Company and certain of its subsidiaries offer defined contribution benefit plans to employees. These plans provide for voluntary contributions by employees and matching contributions by the Company, subject to certain limitations. The Company made matching contributions totaling $0.2 million in fiscal years 2021 and 2020.

15. INCOME TAXES

Income before provision for income taxes consisted of the following (in thousands) for the years ended:

	February 28, 2021	February 29, 2020
United States	$ 6,441	$ (5,749)
Foreign	3,041	(7,034)
Income (loss) before provision for income taxes	$ 9,482	$ (12,783)

The components of the provision for income taxes are as follows (in thousands) for the years ended:

	February 28, 2021	February 29, 2020
Current:		
Federal	$ 494	$ -
State	319	50
Foreign	992	568
	1,805	618
Deferred:		
Federal	420	(1,129)
State	74	(449)
Foreign	285	319
	779	(1,259)
Provision for income taxes	$ 2,584	$ (641)

Cash paid for income taxes in fiscal year 2021 and 2020 was $2.6 million and $0.5 million, respectively.

The following is a reconciliation of the statutory federal income tax rate to the effective rate reported in the financial statements (in thousands):

	February 28, 2021		February 29, 2020	
	Amount	%	Amount	%
Provision for income taxes at the federal statutory rate	$ 1,990	21.0%	$ (2,684)	21.0%
State and local income taxes, net of federal tax benefit	367	3.9%	(269)	2.1%
Foreign tax rate differential	97	1.0%	(511)	4.0%
Tax valuation allowance	343	3.6%	2,666	-20.9%
Intangible assets amortization	134	1.4%	178	-1.4%
US rate benefit related to loss carryback	(294)	-3.1%	-	0.0%
Other	(53)	-0.6%	(21)	0.2%
Actual provision for income taxes	$ 2,584	27.2%	$ (641)	5.0%

The tax effects of temporary differences which give rise to deferred tax assets / (liabilities) are as follows (in thousands):

	February 28, 2021	February 29, 2020
Deferred Tax Assets:		
Net operating losses and foreign tax credit carry forwards	$ 16,729	$ 17,378
Inventories	1,264	1,050
Intangible assets	1,291	1,196
Accrued expenses	1,880	1,572
Other	179	122
	21,343	21,318
Less: valuation allowances	(16,046)	(15,577)
Total deferred tax assets	5,297	5,741
Deferred Tax Liabilities:		
Property and equipment	(1,746)	(1,393)
Prepaid expenses	(139)	(145)
Other	(149)	(182)
Total deferred tax liabilities	(2,034)	(1,720)
Net Deferred Tax Asset	$ 3,263	$ 4,021

The Company has US gross net operating loss carry forwards principally from acquisitions of $55.6 million that will begin to expire in 2027. Realization of these loss carry forwards is subject to limitation as a result of ownership changes. Accordingly, the Company has recorded a valuation allowance of $12.6 million as it is unlikely that these losses will be utilized due to the limitation. The Company also has US foreign tax credit carry forwards of $0.2 million that begin to expire in 2026. The Company has established a full valuation allowance for the foreign tax credit carry forwards because it may not be able to claim a benefit for the credits in the future.

As of the end of fiscal year 2021, the Company has a valuation allowance of $3.2 million for the deferred tax assets related to its operations in Canada. Management believes that it is more likely than not the benefit of these deferred tax assets will not be realized due to the incurred and expected losses for its operations in Canada. The Company has $10.4 million of Canadian of gross net operating loss carry forwards that will begin to expire in 2036.

A reconciliation of the beginning and ending balances of unrecognized tax benefits included in other long-term liabilities in the accompanying consolidated balance sheets are as follows (in thousands) for the years ended:

	February 28, 2021	February 29, 2020
Unrecognized tax benefits, beginning of year	$ 399	$ 470
Additions based on tax position related to current year	63	11
Reductions for tax positions of prior years	(71)	(82)
Unrecognized tax benefits, end of year	$ 391	$ 399

The Company is subject to income taxes in US federal and state jurisdictions, and in various foreign jurisdictions. Tax regulations within each jurisdiction are subject to interpretation of the related tax laws and regulations and require significant judgment to apply. The Company is not subject to US federal income tax examinations by tax authorities for the years before 2018.

16. SIGNIFICANT CUSTOMER AND VENDOR INFORMATION

The Company's customer base includes a concentration of home improvement retailers in each of its primary markets. One such customer accounted for approximately 36% and 33% of net sales in fiscal years 2021 and 2020, respectively, and approximately 37% and 33% of accounts receivable at February 28, 2021 and February 29, 2020, respectively.

The Company has multiple sources of supply for nearly all raw materials and finished products purchased from suppliers, and is not dependent on a single supplier for more than 10% of such purchases. Certain raw materials representing less than 10% of purchases are available only from a single supplier or a limited number of suppliers. The inability to obtain components and products as required, or to develop alternative sources, if and as required in the future, could result in delays or reductions in product shipments, which in turn could have an adverse effect on the Company's business, financial condition, and results of operations.

17. SHAREHOLDERS' EQUITY

Common Stock

On January 13, 2021, the Board of Directors of the Company, with the consent of a domestic financial institution, declared a one-time stock dividend of five percent per share on the common stock of the Company. On February 19, 2021 the Company distributed 178,728 shares of common stock at $.001 par value to shareholders of record at the close of business on January 18, 2021.

Preferred Stock

Series A

500,000 of the Company's 2,500,000 authorized shares of preferred stock, $1 par value per share, are designated as Series A Preferred Stock. The holder of each share of Series A Preferred Stock is entitled to receive, before any dividends on the Company's common stock, cumulative dividends equal to the prime interest rate less 1-1/4%, payable in semiannual installments.

The Company may redeem any or all of the shares of Series A Preferred Stock at a price per share of $1.00 plus an amount equal to any accrued but unpaid dividends. The Series A Preferred Stock has no voting rights, but does have a liquidation preference equal to $1.00 plus accrued and unpaid dividends. At February 28, 2021 and February 29, 2020 there were no outstanding shares of Series A Preferred Stock.

Series B

1,000,000 of the Company's 2,500,000 authorized shares of preferred stock, $1 par value per share, are designated as Series B Preferred Stock. The holder of each share of Series B Preferred Stock is entitled to receive a non-cumulative dividend at the rate of $0.05 per share per annum, payable annually, before any dividend on the common stock. The Company may redeem any or all of the shares of Series B Preferred Stock at a price per share of $1.00. The Series B Preferred Stock has no voting rights. At February 28, 2021 and February 29, 2020 there were no outstanding shares of Series B preferred stock.

Series C

1,000,000 of the Company's 2,500,000 authorized shares of preferred stock, $1 par value per share, are designated as Series C Preferred Stock. The holder of each share of Series C Preferred Stock is entitled to receive, before any dividends on the Company's common stock, cumulative dividends at the rate of $0.035 per share per annum, payable in annual installments. The Series C Preferred Stock has no voting rights, but does have a liquidation preference equal to $1.00 plus accrued and unpaid dividends. At February 28, 2017 there were 17,500 shares of Series C Preferred Stock issued and outstanding. In July 2017, the Company redeemed all of the outstanding shares of Series C Preferred Stock at a price per share of $1.00. At February 28, 2021 and February 29, 2020 there were no outstanding shares of Series C preferred stock.

Treasury Stock

The Company has purchased from time to time shares of its common stock to be held in treasury. As of February 28, 2021 the number of shares held in treasury was 696,490 at an aggregate cost of $9.1 million. In fiscal year 2021, the Company purchased 8,000 shares of common stock at an aggregate cost of $0.2 million. In fiscal year 2020, the Company purchased 9,839 shares of common stock at an aggregate cost of $0.2 million. The Company has a formal purchase plan pursuant to which the Company may currently purchase up to $1.0 million per year of additional shares of common stock on the open market or in privately negotiated transactions.

18. STOCK PLANS

The Company has removed from registration all of the previously registered shares of common stock under a previously adopted stock plan and, therefore, is no longer issuing stock options under the stock plan.

In June 2020, the Board of Directors approved the granting of an option to purchase up to 15,000 shares of the Company's common stocks at an exercise price of $9.30 per share to the Company's Chief Executive Officer. The stock options fully vested on the date of grant and expire five years from the date of grant. Subsequent to the stock dividend the option to purchase increased to 15,750 shares at an exercise price of $8.86 per share. At February 28, 2021 the options were outstanding, and at February 29, 2020 there were no options outstanding.

In fiscal year 2020, the Board of Directors approved the granting of 5,857 shares of common stock to its then Company's Chief Executive Officer in lieu of a cash payment for the fiscal year 2019 executive bonus owed to the Chief Executive Officer. The value of the stock award was $0.1M representing such shares at $21.13 per share, the closing market price of the Company's common stock on the date of grant.

In December 2020, the Company granted 7,500 fully vested shares of restricted common stock to its non-employee directors, fully vested on the same month. The fair value of the shares was $21.95 per share at the date of grant. In January 2019, the Company granted 2,500 fully vested shares of restricted common stock to its non-employee directors, fully vested on the same month. The fair value of the shares was $25.00 per share at the date of grant. In December 2013, the Company granted 15,000 shares of restricted common stock to its non-employee directors. The fair value of the shares was $19.50 per share at the date of grant. The terms of the grant include provisions for equal vesting over a five-year period that commenced in December 2014. Until vested, the restricted shares cannot be transferred and have no rights to vote or receive dividends. There was no unamortized compensation expense at February 28, 2021 and at February 29, 2020.

19. RELATED PARTY TRANSACTIONS

During fiscal years 2021 and 2020, the Company employed certain individuals who are related to the Company's Executive Chairman or Chief Executive Officer. These individuals were paid a total $0.4 million and $0.3 million in each of fiscal years 2021 and 2020, respectively. Pursuant to a Board resolution the Company may repurchase up to $120,000 per annum of shares of its outstanding common stock from one of these individuals at a price per share equal to the closing price of the common stock on the date of repurchase. Pursuant to this resolution, the Company repurchased 8,000 shares in each of fiscal years 2021 and 2020, at a cost of $0.2 million and $0.1 million, respectively.

20. SUBSEQUENT EVENTS

In preparing the accompanying consolidated financial statements, the Company evaluated the period through June 14, 2021, the date the financial statements were available to be issued, for material subsequent events requiring recognition or disclosure.