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

Consolidated Financial Statements
For the Years Ended February 28, 2022 and February 28, 2021

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.

Opinion

We have audited the accompanying consolidated financial statements of Q.E.P. Co., Inc. (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheets as of February 28, 2022 and 2021, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Q.E.P. Co., Inc. and subsidiaries as of February 28, 2022 and 2021, 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.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Grant Thornton

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Fort Lauderdale, Florida
May 26, 2022

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

	February 28, 2022	February 28, 2021
ASSETS		
Cash	$ 3,203	$ 10,905
Accounts receivable, less allowance for doubtful accounts of $807 and $1,059 as of February 28, 2022 and 2021, respectively	55,990	53,183
Inventories, net	98,087	67,032
Prepaid expenses and other current assets	3,711	6,829
Prepaid income taxes	-	736
Current assets	**160,991**	**138,685**
Property and equipment, net	10,529	11,804
Right of use operating lease assets	15,485	16,417
Deferred income taxes, net	3,578	3,436
Intangibles, net	10,233	12,454
Goodwill	2,390	2,493
Other assets	3,150	2,434
Total Assets	**$ 206,356**	**$ 187,723**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	$ 47,715	$ 40,900
Accrued liabilities	24,919	23,365
Current operating lease liabilities	4,942	5,196
Income taxes payable	634	-
Lines of credit	26,449	21,010
Current maturities of debt	1,321	3,527
Current liabilities	**105,980**	**93,998**
Long term debt	8,797	9,735
Non-current operating lease liabilities	11,643	12,336
Deferred income taxes	-	172
Other long term liabilities	534	554
Total Liabilities	**126,954**	**116,795**
Preferred stock, 2,500 shares authorized, $1.00 par value; 0 shares issued and outstanding at February 28, 2022 and 2021, respectively	-	-
Common stock, 20,000 shares authorized, $.001 par value; 4,005 shares issued: 3,307 and 3,309 shares outstanding at February 28, 2022 and 2021, respectively	4	4
Additional paid-in capital	11,449	11,251
Retained earnings	81,268	71,785
Treasury stock, 698 and 696 shares held at cost at February 28, 2022 and 2021, respectively	(9,124)	(9,082)
Accumulated other comprehensive income	(4,195)	(3,030)
Shareholders' Equity	**79,402**	**70,928**
Total Liabilities and Shareholders' Equity	**$ 206,356**	**$ 187,723**

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, 2022	February 28, 2021
Net sales	$ 445,531	$ 387,597
Cost of goods sold	324,786	278,904
Gross profit	**120,745**	**108,693**
Operating expenses:		
Shipping	49,533	44,595
General and administrative	29,861	28,402
Selling and marketing	27,914	25,340
Restructuring	240	840
Other income, net	(658)	(1,593)
Total operating expenses	106,890	97,584
Operating income	**13,855**	**11,109**
Non-operating loss	-	(24)
Interest expense, net	(1,258)	(1,603)
Income before provision for income taxes	**12,597**	**9,482**
Provision for income taxes	2,949	2,584
Net income	**$ 9,648**	**$ 6,898**
Earnings per share:		
Basic	$ 2.89	$ 2.07
Diluted	$ 2.88	$ 2.06
Weighted average number of common shares outstanding:		
Basic	3,336	3,336
Diluted	3,346	3,341

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

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

	For the Year Ended	
	February 28, 2022	February 28, 2021
Net income	$ 9,648	$ 6,898
Unrealized currency translation adjustments	(1,165)	1,338
Comprehensive income	**$ 8,483**	**$ 8,236**

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, 2022	For the Year Ended February 28, 2021
Operating activities:		
Net income	$ 9,648	$ 6,898
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Loss on sale of business	-	24
Gain on sale of property	(131)	(1,066)
Restructuring	157	(453)
Depreciation and amortization	4,176	4,594
Other non-cash adjustments	18	523
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(3,331)	(3,168)
Inventories	(32,362)	2,102
Prepaid expenses and other assets	6,247	(3,239)
Trade accounts payable and accrued liabilities	4,541	18,632
Net cash provided by (used in) operating activities	**(11,037)**	**24,847**
Investing activities:		
Acquisitions	-	(461)
Capital expenditures	(1,094)	(811)
Proceeds from sale of business	-	200
Proceeds from sale of property	2,104	3,285
Net cash provided by investing activities	**1,010**	**2,213**
Financing activities:		
Net borrowings (repayments) under lines of credit	5,974	(20,621)
Net repayments of term loan facilities	(2,946)	(599)
Purchase of treasury stock	(162)	(120)
Principal payments on finance leases	(110)	(96)
Dividends paid	(165)	-
Net cash provided by (used in) financing activities	**2,591**	**(21,436)**
Effect of exchange rate changes on cash	(266)	282
Net increase (decrease) in cash	**(7,702)**	**5,906**
Cash at beginning of period	10,905	4,999
Cash at end of period	**$ 3,203**	**$ 10,905**

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 29, 2020	**-**	**$ -**	**3,826,642**	**$ 4**	**$ 11,087**	**$ 64,887**	**$ (8,869)**	**$ (4,368)**	**$ 62,741**
Net Income						6,898			6,898
Unrealized currency translation adjustments								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**
Net income						9,648			9,648
Unrealized currency translation adjustments								(1,165)	(1,165)
Purchase of treasury stock							(42)		(42)
Stock-based compensation expense					198				198
Dividends paid						(165)			(165)
Balance at February 28, 2022	**-**	**-**	**4,005,370**	**$ 4**	**$ 11,449**	**$ 81,268**	**$ (9,124)**	**$ (4,195)**	**$ 79,402**

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 designer, manufacturer and distributor of a broad range of best-in-class flooring and installation solutions for commercial and home improvement projects worldwide. QEP offers a comprehensive line of specialty installation tools, adhesives, and underlayment as well as a complete line of hardwood, luxury vinyl, and modular carpet tile. QEP sells its products throughout the world to home improvement retailers, professional specialty distribution outlets, and flooring dealers under brand names including QEP®, LASH®, ROBERTS®, Vitrex®, Brutus®, PRCI®, Plasplugs®, Tomecanic®, Premix-Marbletite® (PMM), Apple Creek®, Homelux®, Capitol® and XPS Foam™. Brand names featured under QEP's Harris Flooring Group® include Harris®, Kraus® and Naturally Aged Flooring™.

QEP is headquartered in Boca Raton, Florida with offices in Canada, Europe, Asia, Australia and New Zealand.

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.

Certain prior year amounts have been reclassified to conform to current year presentation.

Covid-19 Pandemic

The impact of the ongoing COVID-19 pandemic on the Company's future consolidated results of operations remains uncertain. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which impacted North America and other regions in which the Company operates. As a result, during fiscal year 2021, 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. As of February 28, 2022, all of the Company's facilities were operational. While the duration of the pandemic is uncertain, the access to vaccination has increased in all countries where the Company operates. The Company cannot reasonably estimate the impact of the COVID-19 pandemic on its future financial condition and results of operations.

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 doubtful accounts 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 allowance for doubtful accounts, 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 was zero at February 28, 2022 and $1.9 million at February 28, 2021 and was 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 over the assets estimated service lives. Leasehold improvements and assets held under finance leases 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.

Goodwill and 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

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 - *Leases* requires classification as a finance lease.

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 12 years, with options that can extend the lease term for a period between 5 and 12 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 Per Share

Basic earnings per share are computed based on weighted average shares outstanding during the period. Diluted earnings 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 option and restricted stock awards.

Basic and diluted earnings 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 gains of $1.3 million and $0.5 million for the years ended February 28, 2022 and 2021, 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 $2.4 million and $2.0 million for the years ended February 28, 2022 and 2021, 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 $1.0 million and $0.9 million for the years ended

February 28, 2022 and 2021, respectively. These costs are recorded in selling and marketing expenses and primarily consist of advertising 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. The warranty accrual was $1.1 million, each, at February 28, 2022 and 2021. 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

Comprehensive income includes net income 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 is derived from currency translation adjustments.

New Accounting Standards

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 adoption of ASU 2019-12 did not have a material impact on the Company's 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 May 2021, the FASB released ASU 2021-04, "*Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*", which clarifies and reduces diversity in the accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange.

The new guidance is effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted for all entities, including adoption in an interim period. The Company is assessing what impacts this new standard will have on its financial statements.

In November 2021, the FASB released ASU 2021-04 "*Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, which enhances transparency over government assistance including the disclosure of: the types of assistance; an entity's accounting for the assistance; and the effect of the assistance on an entity's financial statements. This Topic is applicable to transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. The new guidance is effective for public business entities in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. The Company is assessing what impacts this new standard will have on its financial statements.

Recent accounting pronouncements adopted or pending adoption not discussed above are either not applicable or are not expected to have a material impact on our consolidated financial condition, results of operations, or cash flows.

3. ACQUISITIONS AND SALE OF BUSINESS

Sale of Business

On February 18, 2021, the Company sold the 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.

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 Company's Canadian 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 2023. The Company recognized in its North American segment $0.2 million and $0.8 million in restructuring cost for the years ended February 28, 2022 and 2021, respectively, classified within operating expenses. Total cumulative cost is net $1.0 million, which is also the total expected restructuring cost. The costs of the restructuring principally related to legal and professional fees, compromised vendor claims, inventory liquidation, employee termination benefits and facility exit costs. Restructuring liability was $0.4 million and $1.6 million at February 28, 2022 and 2021, respectively, and represents promissory notes issued in connection with the Company's Canadian subsidiary's plan of compromise and arrangement with its unsecured creditors. Changes to the restructuring liability balance relate to installment payments of the notes and currency translation adjustments.

5. EARNINGS PER SHARE

Basic earnings 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 per share is computed by dividing net income 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 either of the years ended February 28, 2022 or 2021.

Fiscal year 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, 2022	February 28, 2021
Weighted average number of common shares outstanding - basic	3,336	3,336
Dilution from stock options and restricted stock diluted	10	5
Weighted average number of common shares outstanding - diluted	3,346	3,341

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 are generally 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, 2022	February 28, 2021
Net sales:		
North America	$ 334,950	$ 286,163
Europe	46,796	41,224
Australia/New Zealand	63,785	60,210
Total	$ 445,531	$ 387,597
Operating income:		
North America	$ 9,620	$ 6,010
Europe	3,167	2,603
Australia/New Zealand	1,068	2,496
Total	$ 13,855	$ 11,109
Depreciation and amortization:		
North America	$ 2,465	$ 2,773
Europe	1,274	1,395
Australia/New Zealand	437	426
Total	$ 4,176	$ 4,594
Capital expenditures:		
North America	$ 879	$ 642
Europe	162	112
Australia/New Zealand	53	57
Total	$ 1,094	$ 811

	February 28, 2022	February 28, 2021
Total assets:		
North America	$ 147,355	$ 129,582
Europe	36,254	36,136
Australia/New Zealand	22,747	22,005
Total	$ 206,356	$ 187,723

At February 28, 2022 and 2021, total assets included $23.2 million and $26.8 million, respectively, of net property and equipment and net intangibles and goodwill, including $14.6 million and $16.3 million, respectively, located in the North America segment and $7.8 million and $9.2 million, respectively, located in the Europe segment, and $0.8 million and $1.3 million located in the Australia/ New Zealand segment.

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, 2022	February 28, 2021
Finished goods	$ 88,182	$ 56,084
Raw materials and work-in-process	9,905	10,948
Total inventory, net	$ 98,087	$ 67,032

8. PROPERTY AND EQUIPMENT

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

	February 28, 2022	February 28, 2021
Machinery and warehouse equipment	$ 20,968	$ 20,754
Building and leasehold improvements	8,596	8,439
Office furniture, equipment and computer equipment	10,502	10,428
Finance leases	521	523
	40,587	40,144
Less: Accumulated depreciation and amortization	(30,058)	(28,340)
Property and equipment, net	$ 10,529	$ 11,804

Depreciation expense of property and equipment was $2.2 million and $2.6 million for the years ended February 28, 2022 and 2021, respectively.

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, 2022	February 28, 2021
Assets:			
Operating (1)	Right of use operating lease assets	$ 15,485	$ 16,417
Finance (2)	Property and equipment, net	291	406
Total lease assets		$ 15,776	$ 16,823
Liabilities:			
Current			
Operating	Current operating lease liabilities	$ 4,942	$ 5,196
Finance	Current maturities of debt	114	110
Non-current			
Operating	Non-current operating lease liabilities	11,643	12,336
Finance	Long term debt	182	297
Total lease liabilities		$ 16,881	$ 17,939

(1) Operating Lease assets are recorded net of accumulated amortization of $12.8 million and $10.0 million at February 28, 2022 and 2021, respectively.

(2) Finance Lease assets are recorded net of accumulated amortization of $0.2 million and $0.1 million at February 28, 2022 and 2021, respectively.

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

	For the Year Ended February 28, 2022				
	Cost of goods sold	Shipping	General and administrative	Sales and marketing	Total
Operating					
Lease Cost	$ 1,471	$ 3,254	$ 1,526	$ 289	$ 6,540
Short Term Lease Cost	191	728	70	46	1,035
Variable Lease Cost	315	183	228	(11)	715
Sublease Income	(264)	(218)	-	-	(482)
Total operating expenses	$ 1,713	$ 3,947	$ 1,824	$ 324	$ 7,808

	For the Year Ended February 28, 2022			
Finance	Shipping	General and administrative	Interest expense, net	Total
Amortization of ROU Asset	$ 9	$ 105	$ -	$ 114
Interest on Lease Liabilities	-	-	15	15
Total finance expenses	$ 9	$ 105	$ 15	$ 129

	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	306	181	66	754
Variable Lease Cost	371	321	279	(30)	941
Sublease Income	(174)	-	(39)	-	(213)
Total operating expenses	$ 1,690	$ 4,216	$ 1,897	$ 310	$ 8,113

	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

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

Year Ending February 28,	Operating Leases	Finance Leases	Total
2023	$ 5,540	$ 124	$ 5,664
2024	2,982	114	3,096
2025	2,449	75	2,524
2026	2,055	-	2,055
2027	1,678	-	1,678
Thereafter	4,236	-	4,236
Total lease payments	18,940	313	$ 19,253
Less: amount representing interest	2,355	17	
Present value of lease liabilities	$ 16,585	$ 296	

The amounts presented above are not inclusive of approximately $9.6 million of leases that commenced after February 28, 2022 that created rights and obligations for the Company. These leases will commence in fiscal year 2023.

Lease term and discount rates are as follows:

	February 28, 2022	February 28, 2021
Weighted average remaining lease term (years)		
Operating	5.98	3.63
Finance	2.67	5.92
Weighted average discount rate		
Operating	4.41%	4.43%
Finance	4.47%	4.55%

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

	For the Year Ended	
	February 28, 2022	February 28, 2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flow from operating leases	$ 6,631	$ 6,757
Operating cash flow from finance leases	15	19
Financing cash flow from finance leases	110	96
Right of use assets obtained in exchange for lease obligations		
Operating leases	$ 5,373	$ 3,353
Finance leases	-	96

10. GOODWILL AND INTANGIBLE ASSETS

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

	Gross Carrying Amount of Goodwill			
	Total	North America	Europe	Australia/ New Zealand
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
Unrealized currency translation adjustments	(103)	-	(84)	(19)
Balance at February 28, 2022	$ 2,390	$ -	$ 2,108	$ 282

	Gross Carrying Amounts of Other Intangibles				
	Total	Supply Agreements	Trade-marks	Customer Lists	Other Intangibles
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
Removal of fully amortized other intangibles	(2,409)	-	(2,409)	-	-
Unrealized currency translation adjustments	(624)	(363)	(119)	(129)	(13)
Balance at February 28, 2022	$ 23,598	$ 9,104	$ 7,308	$ 6,262	$ 924

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

	Remaining Weighted Average Useful Life	February 28, 2022			February 28, 2021		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Supply agreement	6	$ 9,104	$ (5,463)	$ 3,641	$ 9,467	$ (5,049)	$ 4,418
Trademarks	7	7,308	(3,048)	4,260	9,836	(4,899)	4,937
Customer lists	3	6,262	(3,988)	2,274	6,391	(3,416)	2,975
Other intangibles	1	924	(866)	58	937	(813)	124
		$ 23,598	$ (13,365)	$ 10,233	$ 26,631	$ (14,177)	$ 12,454

Amortization expense related to intangible assets $2.0 million in each of the years ended February 28, 2022 and 2021. Estimated remaining amortization expense for each of the fiscal years in the five-year period ending in February 2027 is as follows: $1.8 million in 2023, $1.6 million in 2024 and 2025, $1.5 million in 2026 and 2027, and $2.2 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 during the year ended February 29, 2020. The Company applied ASC 321, Investments – *Equity Securities*, and elected to measure the fair value of the investment at cost less impairment.

During the years ended February 28, 2022 and 2021, 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, 2022	February 28, 2021
Lines of Credit:		
North America revolving credit facility	$ 21,297	$ 18,653
International credit facilities	5,152	2,357
	$ 26,449	$ 21,010
Long term debt:		
Term loan facilities	$ 9,822	$ 12,855
Finance leases	296	407
	10,118	13,262
Less current installments	1,321	3,527
	$ 8,797	$ 9,735

The aggregate maturities of long term debt, excluding finance leases, for each of the fiscal years in the five year period ending in February 2027 are as follows: $1.2 million in 2023, $3.8 million in 2024, $1.9 million in 2025, $1.1 million in 2026, $1.8 million in 2027 and zero thereafter.

Interest paid for all debt was $1.3 million and $1.5 million for the year ended February 28, 2022 and 2021, respectively.

General

The Company has a Loan and Security Agreement ("Loan Agreement") with a domestic financial institution to provide an asset based revolving credit facility and term loans.

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 and 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 remained substantially unchanged.

On November 22, 2021, the Company and the lenders entered into a second amendment of the Fifth Amended and Restated Loan and Security Agreement to extend the maturity date of the Loan Agreement from October 5, 2023 to November 22, 2026; add Q.E.P. Australia Pty. Limited, the Company's wholly-owned Australian operating subsidiary, as a new secured borrower; relax customer concentration limits and modify certain covenant requirements to testing on a consolidated basis; reload and reset the amortization of existing FILO loans; provide for the transition from LIBOR to alternative reference interest rates; and reduce the pricing floor. All other material terms and conditions of the Loan Agreement remained unchanged.

Revolving Credit Facilities

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, U.K. and Australia 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 1.50% to 2.00% for advances with fixed maturities, to a range of the Australian Base Rate and BBSY Rate associated with the borrowed currency plus 2.00% to 2.50% for advances denominated in Australian Dollars or to a range of the Index Rate associated with the borrowed currency plus 0.50% to 1.00% 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, U.K. and Australia 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, 2022, the interest rate under the North America revolving credit facility ranged from 1.98% to 5.00%, the Company had borrowed $21.8 million, including FILO loans, and $34.0 million was available for future borrowings, net of $3.8 million in outstanding letters of credit and other reserves. 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 outstanding letters of credit and other reserves.

At February 28, 2022, the interest rate under the UK revolving credit facility was the financial institution's Sterling Reference Rate (0.48% at February 28, 2022) plus 1.50%, the subsidiary had borrowed $1.0 million under the facility and $6.1 million was available for future borrowing. 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 28, 2022, the interest rate under the Australian revolving credit facility was the financial institution's Australian Base Rate (0.10% at February 28, 2022) plus 2.00%, the subsidiary had borrowed $4.1 million under the facility and $2.3 million was available for future borrowing.

The Company's Australian subsidiary had a revolving credit facility with an Australian financial institution that, as amended in September 2018, provided the subsidiary with advances of up to AUD 4.5 million ($3.2 million). The interest rate applicable to the facility was equal to the financial institution's Business Lending Rate (1.98% at February 28, 2021) plus 2.40%. The subsidiary's obligations under the facility were collateralized by substantially all of the subsidiary's assets and the Australian financial institution was indemnified against loss by the Company. The facility was extinguished in November 2021. The subsidiary had borrowings of zero and $2.2 million under the facility at February 28, 2022 and 2021, respectively.

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 ($1.1 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, 2022, the facilities bear interest at the Euro Interbank Offered Rate (minus 0.55% at February 28, 2022 and minus 0.37% at February 28, 2021) plus a range of 0.65% to 0.85%. The subsidiary had no borrowings under the facility at February 28, 2022 and at February 28, 2021.

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. In March 2021, pursuant to the Fifth Amended and Restated Loan and Security Agreement, the Company borrowed an additional $1.8 million under this facility. In November 2021, pursuant to a second amendment to the Fifth Amended and Restated Loan and Security Agreement, the maturity date of the facility was extended to November 22, 2026. The outstanding balance of the 2010 Term Loan was $5.1 million at February 28, 2022 and $4.0 million at February 28, 2021.

During fiscal 2019, the Company's Australian subsidiary borrowed AUD 2.6 million ($1.9 million) in a term loan through the expansion of its existing credit facility. The term loan bore interest equal to the rate applicable to its revolving credit facility. The Australia Term Loan required quarterly payments of principal of AUD 0.1 million. The facility was extinguished in November 2021. The outstanding balance of the Australia Term loan was zero at February 28, 2022 and $1.1 million at February 28, 2021.

During fiscal 2020, the Company borrowed €1.6 million ($1.8 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. In October 2020, the note payable was extended to mature on March 2022. In January 2022, the note payable was further extended to mature on March 2023. 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 $1.8 million at February 28, 2022 and $2.0 million at February 28, 2021.

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, had a maturity date of January 2024, and was subordinate to the Company's domestic financial institution. The note could have been 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 was payable quarterly in arrears at an annual interest rate of 12.5%. The convertible subordinated promissory note was extinguished on February 2022. The outstanding balance of the convertible note was zero at February 28, 2022 and $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 Plan of Compromise and Arrangement pursuant to the Companies' 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 $0.4 million at February 28, 2022 and $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 liabilities in the future.

Premix-Marbletite Manufacturing Co. ("Premix"), a subsidiary of the Company, is a co-defendant in 47 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, is named as a co-defendant in 23 of those cases. 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 $1.0 million and $0.9 million in the years ended February 28, 2022 and 2021, respectively.

15. INCOME TAXES

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

	February 28, 2022	February 28, 2021
United States	$ 8,654	$ 6,441
Foreign	3,943	3,041
Income (loss) before provision for income taxes	$ 12,597	$ 9,482

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

	February 28, 2022	February 28, 2021
Current:		
Federal	$ 1,774	$ 494
State	382	319
Foreign	1,141	992
	3,297	1,805
Deferred:		
Federal	(140)	420
State	(31)	74
Foreign	(177)	285
	(348)	779
Provision for income taxes	$ 2,949	$ 2,584

Cash paid for income taxes in the years ended February 28, 2022 and 2021 was $3.4 million and $2.6 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, 2022		February 28, 2021	
	Amount	%	Amount	%
Provision for income taxes at the federal statutory rate	$ 2,645	21.0%	$ 1,990	21.0%
State and local income taxes, net of federal tax benefit	318	2.5%	367	3.9%
Foreign tax rate differential	45	0.3%	97	1.0%
Tax valuation allowance	(43)	-0.3%	343	3.6%
Intangible assets amortization	202	1.6%	134	1.4%
US rate benefit related to loss carryback	-	0.0%	(294)	-3.1%
Net change in FIN 48 reserve	(39)	-0.3%	(29)	-0.3%
Interest on refund	(40)	-0.3%	-	0.0%
Other	(139)	-1.1%	(24)	-0.3%
Actual provision for income taxes	$ 2,949	23.4%	$ 2,584	27.2%

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

	February 28, 2022	February 28, 2021
Deferred Tax Assets:		
Net operating losses and foreign tax credit carry forwards	$ 16,684	$ 16,729
Inventories	1,342	1,264
Intangible assets	1,399	1,291
Accrued expenses	1,856	1,880
Other	221	179
	21,502	21,343
Less: valuation allowance on net operating losses	(16,006)	(16,046)
Total deferred tax assets	5,496	5,297
Deferred Tax Liabilities:		
Property and equipment	(1,621)	(1,746)
Prepaid expenses	(110)	(139)
Other	(187)	(149)
Total deferred tax liabilities	(1,918)	(2,034)
Net Deferred Tax Asset	$ 3,578	$ 3,263

The Company has US gross net operating loss carry forwards principally from acquisitions of $55.0 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 $12.5 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 2022, 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 $10.7 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, 2022		February 28, 2021	
Unrecognized tax benefits, beginning of year	$	391	$	399
Additions based on tax position related to current year		64		63
Reductions for tax positions of prior years		(86)		(71)
Unrecognized tax benefits, end of year	$	369	$	391

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 39% and 36% of net sales in the years ended February 28, 2022 and 2021, respectively, and approximately 47% and 37% of accounts receivable at February 28, 2022 and 2021, 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 June 16, 2021, the Company's Board of Directors declared a one-time, cash dividend of $0.05 per share on the common stock of the Company. The cash dividend of approximately $0.2 million was paid on August 18, 2021, to shareholders of record at the close of business on July 14, 2021. 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, 2022 and 2021 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, 2022 and 2021 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, 2022 and 2021 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. At February 28, 2022 the number of shares held in treasury was 698,490 at an aggregate cost of $9.1 million. In fiscal year 2022, the Company purchased 2,000 shares of common stock at an aggregate cost of less than $0.1 million. In fiscal year 2021, the Company purchased 8,000 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 Americas. 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, 2022 and 2021 the options were outstanding.

In January 2022, the Company granted 9,000 shares of restricted common stock to its non-employee directors, which were fully vested on the date of grant. The fair value of the shares was $22.00 per share at the date of grant. In December 2020, the Company granted 7,500 shares of restricted common stock to its non-employee directors, which were fully vested on the date of grant. The fair value of the shares was $21.95 per share at the date of grant. 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, 2022 and 2021.

19. RELEATED PARTIES TRANSACTIONS

During fiscal years 2022 and 2021, the Company employed certain individuals who are related to the Company's Executive Chairman or the Chief Executive Officer, The Americas. These individuals were paid a total of $0.4 million in each of the years ended February 28, 2022 and 2021. Pursuant to a Board approval, the Company may repurchase up to $240,000 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 did not repurchase any shares in the year ended February 28, 2022, and repurchased 8,000 shares in the year ended February 28, 2021, at a cost of $0.2 million.

20. SUBSEQUENT EVENTS

In preparing the accompanying consolidated financial statements, the Company evaluated the period through May 26, 2022, the date the financial statements were available to be issued, for material subsequent events requiring recognition or disclosure.