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

Consolidated Financial Statements
For the Years Ended February 28, 2025 and February 29, 2024

CONTENTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

We have audited the consolidated financial statements of Q.E.P. Co., Inc. (a Delaware corporation) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of February 28, 2025 and February 29, 2024, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2025 and February 29, 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 issued.

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 28, 2025

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

	February 28, 2025	February 29, 2024
ASSETS		
Cash	$ 28,552	$ 22,369
Accounts receivable, less allowance for credit losses of $221 and $134 at February 28, 2025 and February 29, 2024, respectively	31,752	30,338
Inventories, net	36,595	29,913
Prepaid expenses and other current assets	2,781	7,491
Prepaid income taxes	1,544	1,375
Discontinued operations	-	693
Current assets	**101,224**	**92,179**
Property and equipment, net	13,044	9,894
Right of use operating lease assets	21,520	19,852
Deferred income taxes, net	1,996	2,548
Intangibles, net	1	99
Other assets	489	1,276
Total assets	**$ 138,274**	**$ 125,848**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	$ 15,569	$ 14,438
Accrued liabilities	15,251	13,352
Current operating lease liabilities	2,887	3,210
Lines of credit	105	601
Current maturities of debt	9	74
Discontinued operations	-	479
Current liabilities	**33,821**	**32,154**
Long term debt	10	-
Non-current operating lease liabilities	21,084	19,855
Other long term liabilities	427	1,209
Total liabilities	**55,342**	**53,218**
Preferred stock, 2,500 shares authorized, $1.00 par value; 0 shares issued and outstanding at February 28, 2025 and February 29, 2024, respectively	-	-
Common stock, 20,000 shares authorized, $.001 par value; 4,005 shares issued: 3,255 and 3,286 shares outstanding at February 28, 2025 and February 29, 2024, respectively	4	4
Additional paid-in capital	10,361	11,901
Retained earnings	85,544	73,211
Treasury stock, 750 and 719 shares held at cost at February 28, 2025 and February 29, 2024, respectively	(10,377)	(9,517)
Accumulated other comprehensive income	(2,600)	(2,969)
Shareholders' equity	**82,932**	**72,630**
Total liabilities and shareholders' equity	**$ 138,274**	**$ 125,848**

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, 2025	February 29, 2024
Net sales	$ 243,831	$ 251,986
Cost of goods sold	157,262	169,989
Gross profit	**86,569**	**81,997**
Operating expenses:		
Shipping	27,199	28,129
General and administrative	24,705	26,135
Selling and marketing	14,428	13,633
Other (income) expense, net	423	796
Total operating expenses	66,755	68,693
Operating income	**19,814**	**13,304**
Interest income (expense), net	876	(1,386)
Income before provision for income taxes	**20,690**	**11,918**
Provision for income taxes	4,979	2,787
Net income from continuing operations	**15,711**	**9,131**
Gain (loss) from discontinued operations, net of tax	542	(13,839)
Net income (loss)	**$ 16,253**	**$ (4,708)**
Basic earnings (loss) per share:		
From continuing operations	$ 4.78	$ 2.73
From discontinued operations	0.17	(4.14)
Basic earnings (loss) per share	**$ 4.95**	**$ (1.41)**
Diluted earnings (loss) per share:		
From continuing operations	$ 4.78	$ 2.73
From discontinued operations	0.16	(4.13)
Diluted earnings (loss) per share	**$ 4.94**	**$ (1.40)**
Weighted average number of common shares outstanding:		
Basic	3,286	3,343
Diluted	3,290	3,350

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, 2025	February 29, 2024
Net income (loss)	$ 16,253	$ (4,708)
Reclassification of currency translation adjustments to earnings	698	2,376
Unrealized currency translation ajustments	(329)	63
Comprehensive income (loss)	**$ 16,622**	**$ (2,269)**

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, 2025	February 29, 2024
Operating activities:		
Net income (loss)	$ 16,253	$ (4,708)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,385	2,656
Loss on disposal of businesses	468	9,278
(Gain)/Loss on sale of property	(2)	34
Gain from insurance recoveries	-	(134)
Proceeds from settlement of insurance claims	-	537
Impairment, net of gain on lease modification	(164)	1,221
Impairment of long-lived asset	85	-
Other non-cash adjustments	95	317
Changes in assets and liabilities:		
Accounts receivable	(811)	5,098
Inventories	(8,364)	21,295
Prepaid expenses and other assets	3,162	4,568
Trade accounts payable and accrued liabilities	629	(10,682)
Net cash provided by operating activities	**12,736**	**29,480**
Investing activities:		
Capital expenditures	(4,549)	(3,808)
Proceeds from sale of businesses	4,859	32,842
Proceeds from sale of property	2	108
Proceeds from settlement of insurance claims	-	285
Net cash provided by investing activities	**312**	**29,427**
Financing activities:		
Net repayments under lines of credit	(479)	(30,549)
Net repayments of term loan facilities	-	(7,250)
Repurchase of equity-based awards	(1,540)	-
Purchase of treasury stock	(833)	(227)
Principal payments on finance leases	(83)	(108)
Dividends paid	(3,920)	(3,286)
Net cash used in financing activities	**(6,855)**	**(41,420)**
Effect of exchange rate changes on cash	(10)	(114)
Net increase in cash	**6,183**	**17,373**
Cash at beginning of period	22,369	3,060
Cash at beginning of the period from discontinued operations	-	1,936
Cash at end of period	**$ 28,552**	**$ 22,369**

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 Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at February 28, 2023	**-**	**$ -**	**4,005,370**	**$ 4**	**$ 11,449**	**$ 81,205**	**$ (9,410)**	**$ (5,408)**	**$ 77,840**
Net loss						(4,708)			(4,708)
Reclassification of currency translation adjustments to earnings								2,376	2,376
Unrealized currency translation adjustments								63	63
Purchase of treasury stock							(107)		(107)
Stock-based compensation expense					452				452
Dividends paid						(3,286)			(3,286)
Balance at February 29, 2024	**-**	**$ -**	**4,005,370**	**$ 4**	**$ 11,901**	**$ 73,211**	**$ (9,517)**	**$ (2,969)**	**$ 72,630**
Net income						16,253			16,253
Reclassification of currency translation adjustments to earnings								698	698
Unrealized currency translation adjustments								(329)	(329)
Purchase of treasury stock							(860)		(860)
Repurchase of equity-based awards					(1,540)				(1,540)
Dividends paid						(3,920)			(3,920)
Balance at February 28, 2025	**-**	**$ -**	**4,005,370**	**$ 4**	**$ 10,361**	**$ 85,544**	**$ (10,377)**	**$ (2,600)**	**$ 82,932**

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 installation solutions for commercial and home improvement projects. QEP offers a comprehensive line of specialty installation tools, adhesives, and underlayment. QEP sells its products throughout the world to home improvement retail centers, and professional specialty distribution outlets, under brand names including QEP®, LASH®, ROBERTS®, Capitol®, Premix-Marbletite® (PMM), Brutus®, and Homelux®.

QEP is headquartered in Boca Raton, Florida with other facilities in the United States, Canada and Asia.

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.

Discontinued operations

The Company presents discontinued operations when there is a disposal of a component group or a group of components that represents a strategic shift that will have a major effect on the Company's operations and financial results. The Company has reflected the operations of Harris Flooring Group, United Kingdom Group and Australia/New Zealand business as discontinued operations for all periods presented. See Note 3 for additional information.

Accounts Receivable

The Company's accounts receivable principally are due from home improvement retailers and professional specialty distributors. 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 allowance for credit losses. The Company determines its allowance for credit losses 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 credit losses.

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	5 to 20 years
Furniture and computer equipment	3 to 10 years
Leasehold improvements	3 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 results of 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 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. 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. The rate is determined on an annual basis.

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. The Company's leases have remaining lease terms of one to 19 years, with options that can extend the lease term for a period of 5 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 subleased warehouse space to third parties. The sublease agreements were 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 option and restricted stock awards. For periods in which the Company reports net losses, dilutive common stock equivalent shares outstanding are not included in the calculation of diluted loss per share, because they are anti-dilutive. Net income from continuing operation was used as a control number to determine whether common stock equivalent shares were dilutive or antidilutive.

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 a loss of $0.1 million and $0.2 million for the years ended February 28, 2025 and February 29, 2024, 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, excluding discontinued operations, $0.3 million in each of the years ended February 28, 2025 and February 29, 2024. 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, excluding discontinued operations, $0.6 million and $0.4 million for the years ended February 28, 2025 and February 29, 2024, respectively. These costs are recorded in selling and marketing expenses and primarily consist of advertising in trade publications and social media platforms.

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 $0.4 million and $0.5 million at February 28, 2025 and February 29, 2024, respectively. 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 other intangible assets and long-lived assets, inventory valuation and product warranty reserves, the allowance for credit losses, 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 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 November 2023, the FASB issued ASU No. 2023-07, *"Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures",* which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This guidance should be applied retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The disclosure requirements included in ASU No. 2023-07 are required for all public entities, including entities with a single reportable segment. ASU No. 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and early adoption is permitted. The Company adopted ASU No. 2023-07 in the fourth quarter of fiscal 2025. The adoption of this guidance resulted in additional financial statement disclosures and had no impact to the Company's consolidated balance sheets, consolidated statements of operations, or consolidated statements of cash flows. See Note 6 which includes the disclosures resulting from the adoption of this guidance.

In December 2023, the FASB released 2023-09 "*Income Taxes (Topic 740) Improvements to Income Tax Disclosures*" which enhances income tax disclosures, primarily related to the rate reconciliation and income tax paid information. Other provisions included in this update require to disaggregate income (loss) from continuing operations before income tax expense between domestic and foreign and income tax expense (benefit) from continuing operations to be disaggregated by federal (national), state, and foreign. This guidance should be applied prospectively, but a retrospective approach is also permitted. This update is effective for public business entities in fiscal years beginning after December 15, 2024. 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. DISCONTINUED OPERATIONS

During fiscal year 2024, the Company completed several strategic divestments to streamline operations and concentrate resources on its core product lines in the North American market. These divestments included the sale of its Harris Flooring Group in North America and its businesses in the United Kingdom, Australia and New Zealand. These divested operations have been classified as discontinued operations in our Consolidated Balance Sheets and Consolidated Statements of Operations for all periods presented.

On September 20, 2023, the Company sold certain assets of its Harris Flooring Group for the purchase price of $10.0 million. Consideration will be received in three installment payments, with the last payment contingent on the sale of the inventory purchased by the Buyer, which is outside of the Company's control, as such the Company did not include the contingent installment in its results of disposal. In fiscal year 2025, the Company collected $4.4 million for the second installment payment, which was outstanding at February 29, 2024. The last payment contingent on the sale of the inventory purchased by the Buyer was finalized in fiscal year 2025, no additional consideration was collected. The purchased assets included the Naturally Aged Flooring TM, Harris®, Kraus® and Heritage Mill® brands in North America, as well as related inventory and associated domain names and websites. On September 29, 2023, the Company completed the sale of its wood manufacturing facility in Johnson City, Tennessee, in a transaction valued at $5.3 million. Prior to this sale, on September 28, 2023, QEP also conducted an online auction to sell certain flooring machinery and equipment that were excluded from this transaction. The Company recognized a loss for the divestment of its Harris Flooring Group of $0.2 million and $2.5 million in the years ended February 28, 2025 and February 29, 2024, respectively.

On October 4, 2023, the Company completed the sale of its business in the United Kingdom, previously part of the European segment, through a capital stock purchase with QEP UK Holdings Limited led by Paul Boyce, in a transaction valued at approximately £12 million. Mr. Boyce previously served as the Company's CEO of International Operations and as a member of its Board of Directors. The Company recognized a $4.4 million loss for the divestment of its business in the United Kingdom in the year ended February 29, 2024.

On February 29, 2024, the Company completed the sale of its business in Australia and New Zealand, through an asset purchase agreement with QEP Australasia Pty. Ltd. led by Bruce Maclaren and Tony Lei, in a transaction valued at AUD 14.05 million. Bruce Maclaren has served as the Managing Director of the ANZ Business for 20 years including a period of three years as CEO European Operations for QEP based in the UK. Tony Lei has also been involved with QEP for over 20 years as a valued supplier to the ANZ Business and QEP's other businesses around the world. The Company recognized a gain of $0.6 million and a loss of $2.4 million for the divestment of its business in Australia/New Zealand in the years ended February 28, 2025 and February 29, 2024, respectively.

The Company has reflected the operations of the Harris Flooring Group, United Kingdom Group and Australia/New Zealand business as discontinued operations for all periods presented. The Company's Consolidated Balance Sheets and Consolidated Statements of Operations report discontinued operations separate from continuing operations. The Company's Consolidated Statements of Shareholder's Equity and Consolidated Statements of Cash Flows combine results of continuing and discontinued operations.

The following is a summary of the assets and liabilities of the discontinued operations at February 28, 2025 and February 29, 2024 (in thousands):

	February 28, 2025	February 29, 2024
Prepaid expenses and other current assets	$ -	$ 693
Current assets	$ -	$ 693

	February 28, 2025	February 29, 2024
Accrued liabilities	$ -	$ 479
Current liabilities	$ -	$ 479

The following is a summary of the operating results and the net loss on disposal of Harris Flooring Group, United Kingdom Group, and Australia / New Zealand business, which are included in discontinued operations as of February 28, 2025 and February 29, 2024 (in thousands):

	For the Year Ended February 28, 2025		
	Harris Flooring Group	Australia/ New Zealand	Total
Net sales	$ -	$ -	$ -
Cost of goods sold	-	-	-
Gross profit	**-**	**-**	**-**
Operating expenses:			
Shipping	-	-	-
General and administrative	-	(15)	(15)
Total operating expenses	-	(15)	(15)
Operating income from discontinued operations	**-**	**15**	**15**
Gain (loss) on divestiture of discontinued operations	(156)	645	489
Net income (loss) before provision for income taxes	**(156)**	**660**	**504**
Benefit for income taxes	(38)	-	(38)
Income (loss) from discontinued operations	**$ (118)**	**$ 660**	**$ 542**

	For the Year Ended February 29, 2024			
	Harris Flooring Group	United Kingdom Group	Australia/ New Zealand	Total
Net sales	$ 27,810	$ 20,824	$ 57,991	$ 106,625
Cost of goods sold	24,812	14,155	40,399	79,366
Gross profit	**2,998**	**6,669**	**17,592**	**27,259**
Operating expenses:				
Shipping	2,965	2,780	9,420	15,165
General and administrative	881	2,842	3,723	7,446
Selling and marketing	3,656	1,291	5,186	10,133
Other (income) expense, net	-	(135)	(6)	(141)
Total operating expenses	7,502	6,778	18,323	32,603
Operating loss from discontinued operations	**(4,504)**	**(109)**	**(731)**	**(5,344)**
Interest expense	-	(101)	(384)	(485)
Loss on divestiture of discontinued operations	(2,460)	(4,439)	(2,379)	(9,278)
Net loss before provision for income taxes	**(6,964)**	**(4,649)**	**(3,494)**	**(15,107)**
Provision (benefit) for income taxes	(1,816)	75	473	(1,268)
Loss from discontinued operations	**$ (5,148)**	**$ (4,724)**	**$ (3,967)**	**$ (13,839)**

	For the Year Ended	
	February 28, 2025	February 29, 2024
Depreciation and Amortization	$ -	$ 1,266
Capital Expenditures	-	342

4. SALE OF BUSINESS

On March 24, 2025, the Company completed the sale of its wholly owned subsidiary PRCI, S.A.S., a distributor of tile and plumbing tools in France. The sale was through a stock purchase transaction valued 1.4 million Euros, effective on February 28, 2025. The Company recognized a loss of $1.0 million, recorded in other (income) expense, net in the consolidated statement of operations, within operating income.

5. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net income (loss), 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 (loss) 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 the years ended February 28, 2025 and February 29, 2024.

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

	For the Year Ended	
	February 28, 2025	February 29, 2024
Weighted average number of common shares outstanding - basic	3,286	3,343
Dilution from stock options and restricted stock diluted	4	7
Weighted average number of common shares outstanding - diluted	3,290	3,350

6. SEGMENT INFORMATION

The Company defines its segments based on how internally reported financial information is monitored by the chief operating decision maker ("CODM"), the Company's President & Chief Executive Officer, to analyze financial performance, make decisions, and allocate resources. For reporting purposes, the Company's operating segments meet the criteria to be aggregated into a single reportable segment due to quantitative threshold and similar nature of its operations.

The Company has offices in the United States (U.S.), Canada and Asia, with most of its consolidated revenues generated, and majority of total assets located in the U.S. The Company designs, manufactures and distributes flooring installation solutions for home improvement and commercial projects, offering a comprehensive line of specialty flooring installation tools, adhesives, and underlayment.

The Company's CODM allocates resources and assesses performance based on operating income and net income which is included in the accompanying consolidated statements of operations. In addition, CODM uses earnings before interest, taxes, depreciation, and amortization, non GAAP measure. Actual results throughout the year are compared against prior year and annual budget amounts.

The operating segment financial information regularly reviewed by the CODM, including assets, revenue, gross profit, operating expenses, and noncash items are presented on a consolidated basis in the same amount and using the same captions as those included in the consolidated statements of operations, consolidated balance sheets, and consolidated statements of cash flows. There are no additional segment expense categories regularly provided to the CODM. Therefore, there are also no amounts classified as other segment items requiring disclosure.

The following table presents total assets, classified by geography (in thousands):

	February 28, 2025	February 29, 2024
Total assets- in the U.S.	$ 127,025	$ 114,868
Total assets- outside the U.S.	11,249	10,980
Total assets	$ 138,274	$ 125,848

The following table presents third-party net sales, classified by geography (in thousands):

	For the Year Ended	
	February 28, 2025	February 29, 2024
Net sales- in the U.S.	$ 222,158	$ 230,309
Net sales- outside the U.S.	21,673	21,677
Net sales	$ 243,831	$ 251,986

The following table presents third-party net sales, classified by major product categories (in thousands):

	For the Year Ended	
	February 28, 2025	February 29, 2024
Flooring installation tools	$ 99,130	$ 100,681
Spacers	54,431	51,833
Adhesives	46,911	49,222
Underlayment	13,631	14,080
Powders	19,246	22,331
Other	10,482	13,843
Net sales	$ 243,831	$ 251,989

7. INVENTORIES

Inventories consisted of the following (in thousands):

	February 28, 2025	February 29, 2024
Finished goods	$ 30,888	$ 24,449
Raw materials and work-in-process	5,707	5,464
Total inventory, net	$ 36,595	$ 29,913

8. PROPERTY AND EQUIPMENT

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

	February 28, 2025	February 29, 2024
Machinery and warehouse equipment	$ 18,773	$ 14,405
Building and leasehold improvements	5,442	5,532
Office furniture, equipment and computer equipment	9,673	9,809
Finance leases	28	463
	33,916	30,209
Less: Accumulated depreciation and amortization	(20,872)	(20,315)
Property and equipment, net	$ 13,044	$ 9,894

Depreciation expense of property and equipment was $1.4 million each for the years ended February 28, 2025 and February 29, 2024, respectively.

9. LEASES

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

	Consolidated balance sheets classification	February 28, 2025	February 29, 2024
Assets			
Operating	Right of use operating lease assets	$ 21,520	$ 19,852
Finance (1)	Property and equipment, net	25	75
Total lease assets		$ 21,545	$ 19,927
Liabilities			
Current			
Operating	Current operating lease liabilities	$ 2,887	$ 3,210
Finance	Current maturities of debt	9	74
Non-current			
Operating	Non-current operating lease liabilities	21,084	19,855
Finance	Long term debt	10	-
Total lease liabilities		$ 23,990	$ 23,139

(1) Finance Lease assets are recorded net of accumulated amortization of less than $0.1 million and $0.4 million at February 28, 2025 and February 29, 2024, respectively.

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

	For the Year Ended February 28, 2025				
	Cost of goods sold	Shipping	General and administrative	Sales and marketing	Total
Operating					
Lease cost	$ 1,850	$ 1,381	$ 333	$ 11	$ 3,575
Short term lease cost	36	162	8	-	206
Variable lease cost	519	583	213	-	1,315
Total operating expenses	$ 2,405	$ 2,126	$ 554	$ 11	$ 5,096

	For the Year Ended February 28, 2025			
	Shipping	General and administrative	Interest expense, net	Total
Finance				
Amortization of ROU asset	$ 6	$ 71	$ -	$ 77
Interest on lease liabilities	-	-	2	2
Total finance expenses	$ 6	$ 71	$ 2	$ 79

	For the Year Ended February 29, 2024					
	Cost of goods sold	Shipping	General and administrative	Sales and marketing	Discontinued Operations	Total
Operating						
Lease cost	$ 1,784	$ 1,978	$ 343	$ 15	$ 2,520	$ 6,640
Short term lease cost	51	197	19	3	39	309
Variable lease cost	480	371	206	-	53	1,110
Sublease income	-	(39)	-	-	-	(39)
Total operating expenses	$ 2,315	$ 2,507	$ 568	$ 18	$ 2,612	$ 8,020

	For the Year Ended February 29, 2024				
	Shipping	General and administrative	Interest expense, net	Discontinued Operations	Total
Finance					
Amortization of ROU asset	$ 9	$ 85	$ -	$ 5	$ 99
Interest on lease liabilities	-	-	5	1	6
Total finance expenses	$ 9	$ 85	$ 5	$ 6	$ 105

During fiscal years ended February 28, 2025 and February 29, 2024, the Company identified the divestiture of Harris Flooring Group and the consequent change in use, along with a decline in market demand as impairment triggering events for the right-of-use asset of the vacant Moorpark facility. The Company has listed the property for sublease, but at the time these financial statements were prepared has not yet identified a sub lessee. Consequently, the Company performed an impairment assessment based on the most updated market conditions under the assumption that the facility will be sublet. These analyses resulted in the recognition of a non-cash impairment loss of $0.1 million and $1.2 million for the years ended February 28, 2025 and February 29, 2024, respectively, recorded within other (income) expense, net. Additionally, in February 2025, the Company negotiated a rent abatement with the landlord, which resulted in a gain on lease modification of $0.3 million, recorded in other (income) expense, net.

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

Year Ending February 28,	Operating Leases	Finance Leases	Total
2026	$ 4,050	$ 10	$ 4,060
2027	3,677	10	3,687
2028	3,569	-	3,569
2029	3,295	-	3,295
2030	3,242	-	3,242
Thereafter	12,170	-	12,170
Total lease payments	30,003	20	$ 30,023
Less: amount representing interest	6,032	1	
Present value of lease liabilities	$ 23,971	$ 19	

There were no leases commenced after February 28, 2025 that created rights and obligations for the Company.

Lease term and discount rates are as follows:

	February 28, 2025	February 29, 2024
Weighted average remaining lease term (years)		
Operating	8.63	9.04
Finance	2.07	0.81
Weighted average discount rate		
Operating	5.25%	4.70%
Finance	6.05%	4.55%

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

	For the Year Ended	
	February 28, 2025	February 29, 2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flow from operating leases	$ 4,278	$ 6,725
Operating cash flow from finance leases	2	5
Financing cash flow from finance leases	83	108
Right of use assets obtained in exchange for lease obligations		
Operating leases	$ 4,948	$ 745
Finance leases	28	-

10. INTANGIBLE ASSETS

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

	Gross Carrying Amounts of Other Intangibles	
	Total	Trademarks
Balance at February 29, 2024	$ 380	$ 380
Impairment of long-lived asset	(252)	(252)
Balance at February 28, 2025	$ 128	$ 128

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

	Remaining Weighted Average Useful Life	February 28, 2025			February 29, 2024		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademarks	less than 1 year	$ 128	$ (127)	$ 1	$ 380	$ (281)	$ 99
		$ 128	$ (127)	$ 1	$ 380	$ (281)	$ 99

Amortization expense related to intangible assets was less than $0.1 million in each of the years ended February 28, 2025 and February 29, 2024. During the second quarter of fiscal year 2025, the Company recorded a net impairment of $0.1 million for its Porta-Nail trademark, as a result of the discontinuation of products sold under the trademark. The impairment expense is included in other income, net in the consolidated statement of operations.

Estimated remaining amortization expense for each of the fiscal years in the five-year period ending in February 2030 is less than $0.1 million for each of the years presented and thereafter.

11. DEBT

Debt consists of the following (in thousands):

	February 28, 2025	February 29, 2024
Lines of Credit:		
North America revolving credit facility	$ 105	$ 601
	$ 105	$ 601
Long term debt:		
Finance leases	$ 19	$ 74
	19	74
Less current installments	9	74
	$ 10	$ -

The aggregate maturities of long term debt, excluding finance leases, is zero for each of the fiscal years in the five-year period ending February 2030 and thereafter.

Interest paid for all debt was $0.3 million and $1.6 million for the year ended February 28, 2025 and February 29, 2024, 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 February 25, 2025, the Company received consent of its lending institution, Bank of America, N.A., to the sale its wholly owned subsidiary PRCI, S.A.S. and the dissolution of its Australian and New Zealand subsidiaries. The agreement waived certain covenants, released all claims on the divested assets, and approved the PRCI transaction under the Fifth Amended and Restated Loan and Security Agreement dated February 15, 2021.

On February 29, 2024, the Company entered into a sixth amendment to the Fifth Amended and Restated

Loan and Security Agreement, Waiver, Consent and Release dated February 15, 2021 with its lending institution, Bank of America, N.A. The Amendment waives certain covenants and restrictions relating to the sale of Australia/New Zealand assets, agrees to release all liens covering the purchased assets, and consents to the transaction. The Amendment also provides the Company with additional flexibility with respect to certain financial covenants as well as permitted acquisitions and distributions.

On October 4, 2023, the Company and its lenders executed a Waiver, Consent, Release and Amendment to waive certain covenants and restrictions under the Loan Agreement, provide consent to the consummation of the Share Sale of the UK entities, and agree to release the security interest in Q.E.P. Co. U.K. Limited and the other UK Obligors.

On September 29, 2023, the Company entered into a fifth amendment to the Fifth Amended and Restated Loan and Security Agreement, Waiver, Consent and Release to waive certain covenants and restrictions relating to the sale of the manufacturing facility in Johnson City, Tennessee, agree to release all liens covering the purchased assets, and consent to the transaction.

On May 16, 2023, the Company and the lenders entered into a fourth amendment of the Fifth Amended and Restated Loan and Security Agreement and Waiver to adjust the requirements for the Fixed Charge Coverage Ratio financial covenant and to waive the lender's right to any further action resulting from the Company's noncompliance with these requirements before this amendment.

Revolving Credit Facilities

The Company is allowed to borrow a maximum of $65.0 million under the revolving credit facility based on a percentage of eligible North America 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. The Contract Rate varies with fluctuations in money market conditions and may not be less than 0.0%.

The Loan Agreement permits the Company to allocate the maximum revolving credit facility between its US and Canada 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, 2025, the interest rate under the North America revolving credit facility was 5.70%, the Company had borrowed $0.1 million, and $34.7 million was available for future borrowings, net of $3.0 million in outstanding letters of credit and other reserves. At February 29, 2024, the interest rate under the North America revolving credit facility was 7.95%, the Company had borrowed $0.6 million, and $30.5 million was available for future borrowings, net of $3.0 million in outstanding letters of credit and other reserves.

The Company's French subsidiary had lines of credit with a French financial institution that, as amended through March 2016, allowed it to borrow an aggregate of €0.8 million ($0.8 million), including €0.5 million against drafts presented for future settlement in payment of the subsidiary's accounts receivable and €0.3 million in working capital advances. During fiscal year 2024, the availability was reduced to an overdraft of €0.1 million ($0.2 million) with a validity until September 30, 2024. As of February 29, 2024, the facility bore interest at the Euro Interbank Offered Rate (3.89%) plus 4.00%, and had no borrowings under the facility. On September 5, 2024, the subsidiary terminated its lines of credit.

12. 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 co-defendant in 40 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 12 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 where the insurance carriers have appointed counsel to defend Premix and Imperial’s rights.

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.

XPS Foam Limited Fire

On October 25, 2022, one of the Company’s European subsidiaries, XPS Foam Limited, experienced a fire at its manufacturing facility in Wales. The fire destroyed all of the operation’s machinery and equipment and a major portion of inventories. The leased building also suffered significant damage. The Company received insurance proceeds of $0.8 million during fiscal year 2024. A total gain from insurance recoveries of $0.1 million was recognized for the year ended February 29, 2024, included in other (income) expense, net in the consolidated statement of operations, within loss from discontinued operations, net of tax. There were no insurance proceeds received and no recognized gain during the year ended February 28, 2025. The Company also has business interruption coverage; however, as of February 28, 2025, the Company is unable to estimate any recovery of losses under the business interruption policy.

Contractual obligations

In March 2022, the Company entered into an agreement pursuant to which is required to make monthly royalty fees payments until December 2025. The aggregated obligations that the Company is required to pay under this agreement is $0.8 million for fiscal year 2026.

13. 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 $0.3 million in each of the years ended February 28, 2025 and February 29, 2024.

14. INCOME TAXES

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

	February 28, 2025	February 29, 2024
United States	$ 20,245	$ 12,176
Foreign	445	(258)
Income before provision for income taxes	$ 20,690	$ 11,918

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

	February 28, 2025	February 29, 2024
Current:		
Federal	$ 3,586	$ 1,502
State	803	80
	4,389	1,582
Deferred:		
Federal	558	1,047
State	32	158
	590	1,205
Provision for income taxes	$ 4,979	$ 2,787

Cash paid for income taxes in the years ended February 28, 2025 and February 29, 2024 was $3.9 million and $1.8 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, 2025		February 29, 2024	
	Amount	%	Amount	%
Provision for income taxes at the federal statutory rate	$ 4,345	21.0%	$ 2,503	21.0%
State and local income taxes, net of federal tax benefit	665	3.2%	325	2.7%
Foreign tax rate differential	113	0.5%	(2)	0.0%
Tax valuation allowance	(572)	-2.8%	9	0.1%
Net change in FIN 48 reserve	5	0.0%	(94)	-0.8%
Other	423	2.2%	46	0.4%
Actual provision for income taxes	$ 4,979	24.1%	$ 2,787	23.4%

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

	February 28, 2025	February 29, 2024
Deferred Tax Assets:		
Net operating losses and foreign tax credit carry forwards	$ 17,195	$ 18,141
Inventories	1,045	962
Intangible assets	210	216
Accrued expenses	1,818	2,094
Other	139	321
	20,407	21,734
Less: valuation allowance on net operating losses	(16,345)	(17,188)
Total deferred tax assets	4,062	4,546
Deferred Tax Liabilities:		
Property and equipment	(1,597)	(1,516)
Prepaid expenses	(102)	(171)
Other	(367)	(311)
Total deferred tax liabilities	(2,066)	(1,998)
Net Deferred Tax Asset	$ 1,996	$ 2,548

The Company has gross net operating loss carry forwards principally from acquisitions of $53.0 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 $12.3 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, and $3.0 million of capital loss carry forwards that begin to expire in 2029. The Company has established a full valuation allowance for the foreign tax credit carry forwards and the capital loss carry forwards because it may not be able to claim a benefit for these items in the future.

As of the end of fiscal year 2025, 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 $11.7 million of Canadian 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, 2025	February 29, 2024
Unrecognized tax benefits, beginning of year	$ 312	$ 388
Additions based on tax position related to current year	131	-
Reductions for tax positions of prior years	(91)	(76)
Unrecognized tax benefits, end of year	$ 352	$ 312

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 year ended February 28, 2021, and prior years

15. 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 68% and 66% of net sales from continuing operations in the years ended February 28, 2025 and February 29, 2024, respectively, and approximately 70% and 68% of accounts receivable at February 28, 2025 and February 29, 2024, respectively.

The Company has multiple sources of supply for nearly all raw materials and finished products purchased from suppliers. One supplier accounted for approximately 15% of such purchases from continuing operations. 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.

16. SHAREHOLDERS EQUITY

Common Stock

On December 3, 2024, the Company's Board of Directors declared a special cash dividend of $0.20 per share on the common stock of the Company. The cash dividend of approximately $0.6 million was paid on February 28, 2025 to shareholders of record as of the close of business on February 3, 2025.

On May 15, 2024, the Company's Board of Directors declared a special cash dividend of $1.00 per share on the common stock of the Company. The cash dividend of approximately $3.3 million was paid on June 26, 2024 to shareholders of record as of the close of business on May 31, 2024.

On January 9, 2024, the Company's Board of Directors declared a special cash dividend of $1.00 per share on the common stock of the Company. The cash dividend of approximately $3.3 million was paid on February 16, 2024 to shareholders of record as of the close of business on January 22, 2024.

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, 2025 and February 29, 2024 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, 2025 and February 29, 2024 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, 2025 and February 29, 2024 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, 2025 the number of shares held in treasury was 750,037 at an aggregate cost of $10.4 million. In fiscal year 2025, the Company purchased 30,547 shares of common stock at an aggregate cost of $0.9 million. In fiscal year 2024, the Company purchased 7,000 shares of common stock at an aggregate cost of $0.1 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.

17. 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 stock at an exercise price of $9.30 per share to the Company's President & 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 29, 2024 the options were outstanding.

In June 2024, the President & Chief Executive Officer elected to exercise the option to purchase all of the shares. The purchase price was $33.11 per share.

In December 2023, the company granted 15,000 fully vested shares of restricted stock to its nonemployee directors, fully vested on the date of grant. The fair value of the shares was $17.74 per share at the date of grant. In March 2023, the Company granted 15,000 fully vested shares of restricted common stock to its non-employee directors, fully vested on the date of grant. The fair value of the shares was $12.35 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, 2025 and February 29, 2024.

In May 2024, the Company repurchased 54,376 fully vested shares of restricted common stock from its nonemployee directors. The purchase price of the shares was $21.75 per share.

18. RELATED PARTY TRANSACTIONS

During fiscal years 2025 and 2024, the Company employed certain individuals who are related to the Company's Executive Chairman or the President & Chief Executive Officer. These individuals were paid a total of $0.5 million and $0.4 million in the years ended February 28, 2025 and February 29, 2024. Pursuant to a Board resolution 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 repurchased 6,000 shares in the year ended February 28, 2025, at a cost of $0.2 million, and did not repurchase any shares in the year ended February 29, 2024.

19. SUBSEQUENT EVENTS

In preparing the accompanying consolidated financial statements, the Company evaluated the period through May 28, 2025, the date the financial statements were available to be issued, for material subsequent events requiring recognition or disclosure.

On April 15, 2025, the Board of Directors of the Company declared a cash dividend of $0.20 per share on its common stock. The dividend was paid on May 28, 2025 to shareholders of record as of the close of business on May 1, 2025.