Q.E.P. CO., INC. and Subsidiaries

Consolidated Financial Statements
For the Years Ended February 28, 2015 and February 28, 2014

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated financial statements of Q.E.P. Co., Inc. (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheets as of February 28, 2015 and February 28, 2014, and the related consolidated statements of earnings, comprehensive income, cash flows, and shareholders' equity for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Q.E.P. Co., Inc. and subsidiaries as of February 28, 2015 and February 28, 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Miami, Florida
June 3, 2015

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

	February 28, 2015	February 28, 2014
ASSETS		
Cash	$ 10,576	$ 2,621
Accounts receivable, less allowance for doubtful accounts of $404 and $382 as of February 28, 2015 and February 28, 2014, respectively	39,924	45,726
Inventories	44,121	42,906
Prepaid expenses and other current assets	3,057	3,338
Deferred income taxes	660	744
Current assets	**98,338**	**95,335**
Property and equipment, net	21,713	24,353
Deferred income taxes	3,835	3,926
Intangibles, net	18,721	21,697
Other assets	600	470
Total Assets	**$ 143,207**	**$ 145,781**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	$ 18,097	$ 21,989
Accrued liabilities	13,111	14,613
Lines of credit	24,895	28,173
Current maturities of notes payable	7,759	1,746
Current liabilities	**63,862**	**66,521**
Notes payable	12,781	11,487
Other long-term liabilities	765	931
Total Liabilities	**77,408**	**78,939**
Preferred stock, 2,500 shares authorized, $1.00 par value; 337 shares issued and outstanding at February 28, 2015 and February 28, 2014	337	337
Common stock, 20,000 shares authorized, $.001 par value; 3,800 shares issued; 3,214 and 3,262 shares outstanding at February 28, 2015 and February 28, 2014, respectively	4	4
Additional paid-in capital	10,679	10,620
Retained earnings	63,983	62,130
Treasury stock, 586 and 538 shares held at cost at February 28, 2015 and February 28, 2014, respectively	(6,584)	(5,701)
Accumulated other comprehensive loss	(2,620)	(548)
Shareholders' Equity	**65,799**	**66,842**
Total Liabilities and Shareholders' Equity	**$ 143,207**	**$ 145,781**

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

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

	Year Ended	
	February 28, 2015	February 28, 2014
Net sales	**$ 297,666**	**$ 302,706**
Cost of goods sold	217,820	217,481
Gross profit	**79,846**	**85,225**
Operating expenses:		
Shipping	28,167	28,497
General and administrative	24,565	25,032
Selling and marketing	23,126	22,287
Other income, net	(237)	(492)
Total operating expenses	**75,621**	**75,324**
Operating income	**4,225**	**9,901**
Non-operating income	-	11,461
Interest expense, net	(1,347)	(963)
Income before provision for income taxes	**2,878**	**20,399**
Provision for income taxes	1,018	4,311
Net income	**$ 1,860**	**$ 16,088**
Net income per share:		
Basic	$ 0.57	$ 4.92
Diluted	$ 0.57	$ 4.88
Weighted average number of common shares outstanding:		
Basic	3,237	3,271
Diluted	3,261	3,295

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)

	Year Ended	
	February 28, 2015	February 28, 2014
Net income	**$ 1,860**	**$ 16,088**
Unrealized currency translation adjustments	(2,072)	(662)
Comprehensive income (loss)	**$ (212)**	**$ 15,426**

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)

	Year Ended	
	February 28, 2015	February 28, 2014
Operating activities:		
Net income	$ 1,860	$ 16,088
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,112	4,270
Deferred income taxes	175	823
Non-operating income	-	(11,680)
Other non-cash adjustments	255	390
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	3,231	(1,464)
Inventories	(2,826)	(246)
Prepaid expenses and other assets	17	(795)
Trade accounts payable and accrued liabilities	(3,639)	268
Net cash provided by operating activities	**4,185**	**7,654**
Investing activities:		
Acquisitions	(353)	(32,364)
Capital expenditures	(1,306)	(984)
Proceeds from sale of property	181	4,630
Net cash used in investing activities	**(1,478)**	**(28,718)**
Financing activities:		
Net (repayments) borrowings under lines of credit	(1,157)	25,556
Borrowings of notes payable	10,929	-
Repayments of notes payable	(3,621)	(2,177)
Purchase of treasury stock	(876)	(386)
Stock options repurchased, net	-	(31)
Dividends	(7)	(7)
Net cash provided by financing activities	**5,268**	**22,955**
Effect of exchange rate changes on cash	**(20)**	**(7)**
Net increase in cash	**7,955**	**1,884**
Cash at beginning of year	2,621	737
Cash at end of year	**$ 10,576**	**$ 2,621**

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, 2013	**336,660**	**$ 337**	**3,798,591**	**$ 4**	**$ 10,639**	**$ 46,049**	**$ (5,305)**	**$ 114**	**$ 51,838**
Net income						16,088			16,088
Other comprehensive income								(662)	(662)
Options exercised			2,000	-	17				17
Options repurchased					(48)				(48)
Purchase of treasury stock							(396)		(396)
Stock-based compensation expense					12				12
Dividends paid						(7)			(7)
Balance at February 28, 2014	**336,660**	**$ 337**	**3,800,591**	**$ 4**	**$ 10,620**	**$ 62,130**	**$ (5,701)**	**$ (548)**	**$ 66,842**
Net income						1,860			1,860
Other comprehensive income								(2,072)	(2,072)
Purchase of treasury stock							(883)		(883)
Stock-based compensation expense					59				59
Dividends paid						(7)			(7)
Balance at February 28, 2015	**336,660**	**$ 337**	**3,800,591**	**$ 4**	**$ 10,679**	**$ 63,983**	**$ (6,584)**	**$ (2,620)**	**$ 65,799**

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

1. DESCRIPTION OF BUSINESS

Q.E.P. Co., Inc., founded in 1979, is a world class, worldwide provider of innovative, quality and value-driven flooring and industrial solutions. As a leading manufacturer, marketer and distributor, QEP delivers a comprehensive line of hardwood and laminate flooring, flooring installation tools, adhesives and flooring related products targeted for the professional installer as well as the do-it-yourselfer. In addition, the Company provides industrial tools with cutting edge technology to the industrial trades. Under brand names including QEP®, ROBERTS®, HarrisWood®, Fausfloor®, Capitol®, Nupla®, HISCO®, Ludell®, Porta-Nails®, Elastiment®, Vitrex®, Homelux®, Tilerite®, PRCI®, Plasplugs®, Tomecanic® and Benetiere®, the Company sells its products to home improvement retail centers, specialty distribution outlets, municipalities and industrial solution providers in 50 states and throughout the world.

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.

In preparing the accompanying consolidated financial statements, the Company evaluated the period through June 3, 2015, the date the financial statements were available to be issued, for material subsequent events requiring recognition or disclosure.

Accounts Receivable

The Company's accounts receivable principally are due from home centers and trade 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 an allowance for doubtful accounts. The Company determines its allowance 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.

Inventories

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

Property and Equipment

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

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

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

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

Impairment of Long-Lived Assets

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

Income Taxes

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

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

Intangible Assets

The Company evaluates goodwill 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. The Company determined that there was no impairment of intangible assets during its fiscal years 2015 or 2014.

Leases

Leases that meet relevant criteria are classified as capital leases. For such leases, assets and obligations are recorded initially at the present value of the contractual lease payments. The capitalized leases are amortized using the straight-line method over the shorter of the assets' estimated economic lives or the term of the lease. Interest expense relating to the lease liabilities is recorded to affect a constant rate of interest over the terms of the obligations. Leases not meeting capitalization criteria are classified as operating leases and related rentals are charged to expense on a straight-line basis.

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.

Fair Value of Financial Instruments

The carrying amount of financial instruments, including cash, accounts receivable and 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 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. In fiscal 2015 and 2014, losses of $0.4 million and $0.3 million, respectively, were recorded for foreign currency transactions.

Revenue Recognition

Sales are recognized when title to merchandise has passed to the customer, the selling price is fixed and determinable, and collectability of the sales price is reasonably assured. 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

Shipping costs to customers are expensed as incurred. Shipping costs billed to customers are included in net sales.

Advertising Allowances and Costs

Advertising allowances are expensed as incurred and totaled $6.9 million and $7.9 million for the years ended February 28, 2015 and February 28, 2014, respectively. In return, the Company's products are advertised in various forms of media on a local, regional or national level. The Company's products are

also displayed on in-store signage and the Company receives the benefit of advertising its products directly to professional contractors. The Company is not able to reasonably estimate the fair value of the benefit received under these arrangements. Accordingly, the Company accounts for these promotional funds as a reduction to the selling price and the costs are included in net sales.

Advertising costs are expensed as incurred and totaled $0.9 million and $0.7 million for fiscal year 2015 and 2014, respectively. These costs are recorded in selling and marketing expenses and primarily consist of advertising through direct media and in trade publications.

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 and intangibles, inventory valuation and product warranty reserves, the allowance for doubtful accounts, and the fair value of assets acquired and liabilities assumed. 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 stockholders' equity. The Company's balance in comprehensive income is derived from currency translation adjustments.

3. NON-OPERATING INCOME

Non-operating income for the fiscal year 2014 includes an $8.3 million gain on the acquisition of the Faus Group, Inc. ("Faus") and a $3.4 million gain on the sale and leaseback of a Canadian facility.

4. ACQUISITIONS

During the year ended February 28, 2015, the Company made two separate investments totaling $0.3 million for the acquisition of one business and for the purchase of inventory and intellectual property from another company that did not qualify for purchase accounting because it did not meet the definition of a business. The impact of these investments was not material to the Company's consolidated results of operations.

During the fiscal year ended February 28, 2014, the Company made three separate investments totaling $31.8 million for the acquisition of two businesses and the purchase of certain assets from another company.

On March 4, 2013, the Company acquired the Homelux® and TileRite® distribution businesses ("Homelux") of Homelux Nenplas Limited for $23.0 million. Homelux is a full range, worldwide supplier of tiling accessories based in the United Kingdom. Simultaneous with the acquisition, Homelux entered into a long-term agreement with the surviving Homelux Nenplas entity to supply extruded plastic trims on favorable terms. On February 28, 2014, the Company also acquired Faus for $8.6 million, net of cash acquired. Faus manufactures and distributes premium laminate flooring under the Fausfloor® brand. These acquisitions expanded the Company's existing product lines and its channels of distribution.

The acquisitions of Homelux and Faus were accounted for as purchases and, accordingly, their results have been included in the Company's consolidated results of operations as part of its European and Domestic segments, respectively, since their acquisition dates. The purchase price of the acquired companies was allocated based on the fair value of the assets acquired and liabilities assumed.

A summary of the aggregate fair values of assets acquired and liabilities assumed in connection with the businesses acquired during the fiscal year ended February 28, 2014 follows (in thousands):

	Homelux	Faus
Consideration paid, net of cash acquired	$ 23,031	$ 8,550
Less: Fair value of assets acquired:		
Accounts receivable	3,984	381
Inventories	2,603	2,255
Property and equipment	975	11,542
Deferred income tax benefits	-	3,102
Identifiable intangible assets	15,235	-
Other assets	40	84
	194	(8,814)
Plus: Fair value of trade accounts payable and accrued liabilities assumed	2,186	513
Goodwill / (Gain on bargain purchase)	$ 2,380	$ (8,301)

The acquired Homelux intangibles relate to the favorable supply agreement, trademarks, customer relationships and non-compete agreements. The Homelux intangibles are being amortized over a weighted average period of 14 years from the date of acquisition and are not deductible for either UK or Domestic tax reporting purposes.

The fair value of the Faus net assets acquired is based on information available to the Company at the date of acquisition. The estimated fair value of Faus net assets acquired in excess of consideration paid of $8.3 million is included in non-operating income in the accompanying statement of earnings for the fiscal year ended February 28, 2014.

Upon determination that the Company was going to recognize a gain related to the bargain purchase of Faus, the Company reassessed its assumptions and measurement of identifiable assets acquired and liabilities assumed and concluded that the preliminary valuation procedures and resulting measures were appropriate. The bargain purchase gain recorded by the Company primarily arose as a result of the distressed sale of the company.

The acquisition of Homelux was financed from funds available under the Company's domestic revolving loan facility. The acquisition of Faus was financed with a term loan facility collateralized by certain acquired assets.

During the fiscal year ended February 28, 2014, the Company also acquired inventory, machinery and equipment for $0.2 million in a transaction that did not qualify for purchase accounting because it did not meet the definition of a business.

Included in the Company's consolidated results of operations for the year ended February 28, 2014 are net sales of $20.6 million and operating income of $2.7 million from acquisitions completed during fiscal 2014.

The unaudited pro forma net sales and operating income for the fiscal year ended February 28, 2014 as if the fiscal 2014 acquisitions had been completed on March 1, 2013 were $311.5 million and $7.7 million, respectively. The unaudited pro-forma combined results of operations do not reflect cost reductions or sales increases expected to be realized in connection with the acquisitions. Accordingly, these pro-forma amounts do not purport to be indicative of the results that would have actually been obtained if these acquisitions had occurred as of March 1, 2013 or that may be obtained in the future.

During fiscal year 2014, the Company recognized $0.2 million of acquisition related costs recorded in general and administrative expenses.

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, after deducting preferred stock dividends, by the weighted average number of shares of common and dilutive common stock equivalent shares outstanding. The amount of preferred stock dividends is immaterial in all periods presented. There were no anti-dilutive common stock equivalent shares in fiscal 2015 or 2014.

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

	Year Ended	
	February 28, 2015	February 28, 2014
Weighted average number of common shares outstanding - basic	3,237	3,271
Dilution from stock options and restricted stock	24	24
Weighted average number of common shares outstanding - diluted	3,261	3,295

6. SEGMENT INFORMATION

The Company operates in four business segments: Domestic, Canada, 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, except for the Canadian segment, which is managed by members of the Domestic segment's senior management team. Each segment markets and sells to home improvement retail centers and specialty distribution outlets. The European segment is made up of operations in the UK, France and Holland.

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

Segment results were as follows (in thousands):

	Year Ended	
	February 28, 2015	February 28, 2014
Net sales:		
Domestic	$ 185,726	$ 196,116
Canada	19,268	20,284
Europe	48,108	45,507
Australia/New Zealand	44,564	40,799
Total	$ 297,666	$ 302,706
Operating income:		
Domestic	$ 1,048	$ 3,922
Canada	140	833
Europe	1,538	3,752
Australia/New Zealand	1,499	1,394
Total	$ 4,225	$ 9,901
Depreciation and amortization:		
Domestic	$ 3,312	$ 2,509
Canada	54	108
Europe	1,631	1,541
Australia/New Zealand	115	112
Total	$ 5,112	$ 4,270
Capital expenditures:		
Domestic	$ 813	$ 501
Canada	15	8
Europe	303	111
Australia/New Zealand	175	364
Total	$ 1,306	$ 984

	February 28, 2015	February 28, 2014
Total assets:		
Domestic	$ 88,114	$ 85,576
Canada	5,794	6,092
Europe	38,500	43,919
Australia/New Zealand	10,799	10,194
Total	$ 143,207	$ 145,781

At February 28, 2015 and 2014, total assets included $40.4 million and $46.1 million, respectively, of net property and equipment and net intangibles, including $22.7 million and $25.3 million, respectively, located in the United States and $16.5 million and $19.3 million, respectively, located in the United Kingdom.

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, 2015	February 28, 2014
Finished goods	$ 32,839	$ 32,683
Raw materials and work-in-process	11,282	10,223
	$ 44,121	$ 42,906

8. PROPERTY AND EQUIPMENT

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

	February 28, 2015	February 28, 2014
Machinery and warehouse equipment	$ 21,518	$ 21,430
Building and leasehold improvements	13,102	13,033
Office furniture, equipment and computer equipment	7,247	7,506
	41,867	41,969
Less: Accumulated depreciation and amortization	(20,154)	(17,616)
Property and equipment, net	$ 21,713	$ 24,353

Depreciation expense of property and equipment was $3.5 million and $2.7 million for fiscal 2015 and 2014, respectively. Amortization of assets recorded under capital leases is included in depreciation expense.

In May 2013, the Company sold its manufacturing, distribution and administrative facility in Canada. In connection with the sale, the Company entered into a two year lease-back of the facility. The Company recorded a gain on sale of the property, net of selling costs and the present value of future leases payments, of approximately $3.4 million, which is included in non-operating income. The Company realized net after tax proceeds of approximately $3.0 million after settlement of the outstanding mortgage obligation.

9. INTANGIBLE ASSETS

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

	February 28, 2015	February 28, 2014
Beginning of year	$ 3,558	$ 1,014
Acquisition of Homelux	-	2,380
Unrealized currency translation adjustments	(297)	164
End of year	$ 3,261	$ 3,558

At February 28, 2015 the balance of goodwill included $2.5 million and $0.8million associated with the Company's European and Canadian segments, respectively.

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

	Remaining Weighted Average Useful Life	February 28, 2015 Gross Carrying Amount	February 28, 2015 Accumulated Amortization	February 28, 2015 Net Carrying Amount	February 28, 2014 Gross Carrying Amount	February 28, 2014 Accumulated Amortization	February 28, 2014 Net Carrying Amount
Supply agreement	13	$ 10,490	$ (1,399)	$ 9,091	$ 11,333	$ (756)	$ 10,577
Trademarks	12	6,928	(2,656)	$ 4,272	$ 7,677	$ (2,442)	$ 5,235
Customer lists	5	2,801	(791)	$ 2,010	2,500	(367)	2,133
Other intangibles	1	341	(254)	$ 87	363	(169)	194
		$ 20,560	$ (5,100)	$ 15,460	$ 21,873	$ (3,734)	$ 18,139

Other intangibles represent a non-compete agreement. Amortization expense related to intangible assets was $1.6 million in fiscal 2015 and fiscal 2014. Estimated amortization expense for each of the fiscal years in the five year period ending in February 2020 is $1.5 million for 2016, $1.3 million for 2017 through 2019, $1.2 million for 2020 and $8.9 million thereafter.

10. DEBT

Debt consists of the following (in thousands):

	February 28, 2015	February 28, 2014
Lines of Credit:		
Domestic revolving credit facility	$ 23,487	$ 25,842
International credit facilities	1,408	2,331
	$ 24,895	$ 28,173
Notes Payable:		
Term loan facilities	$ 20,422	$ 13,047
Capital lease facilities	118	186
	20,540	13,233
Less current installments	7,759	1,746
	$ 12,781	$ 11,487

Current installments of Notes Payable at February 28, 2015 include the $5.6 million balance outstanding of the 2014 Term Loan that was repaid in May 2015. The aggregate maturities of notes payable for each of the fiscal years in the five year period ending in February 2020, excluding the 2014 Term Loan, are as follows: $2.1 million in 2016, $1.9 million in 2017, $5.4 million in 2018, $0.9 million in 2019, $0.9 million in 2020 and $3.7 million thereafter.

Interest paid for all debt was $1.3 million in fiscal 2015 and $1.0 million in fiscal 2014.

Domestic Revolving Credit Facility

The Company has a loan agreement with a domestic financial institution to provide an asset based revolving credit facility, term loans and mortgage financing. The Company is allowed to borrow a maximum of $58.0 million under the revolving credit facility based on a percentage of eligible accounts receivable and inventories. The interest rate applicable to the revolving credit facility is equal to a range of the Libor rate associated with the borrowing currency plus 1.50% to 2.50% for advances with fixed maturities or to a range of the Base Rate plus 0.50% to 1.50% for all other US dollar advances. The Base

Rate varies with fluctuations in money market conditions and the interest rate on Base Rate advances is equal to or higher than the interest rate on advances with fixed maturities.

The loan agreement permits the Company to allocate the maximum revolving credit facility between its domestic and U.K. revolving credit facilities, is collateralized by substantially all of the Company's assets, requires the Company to maintain certain financial covenants, prohibits the Company from incurring certain additional indebtedness without the lender's prior agreement, limits certain investments, advances, loans and treasury stock purchases, restricts substantial asset sales and certain capital expenditures, and prohibits the payment of dividends, except for dividends due on the Company's Series A and C preferred stock. The loan agreement matures in June 2017.

At February 28, 2015, the interest rate under the revolving credit facility was Libor (ranging from 0.17% to 0.50%) plus 2.00%, the Company had borrowed $23.5 million in foreign currencies and $6.2 million was available for future borrowings, net of $0.1 million in an outstanding letter of credit.

International Credit Facilities

The Company's U.K. subsidiary has an asset based revolving credit facility with a domestic financial institution that allows the subsidiary to borrow up to $3.2 million against a percentage of eligible accounts receivable and inventories. The facility has an interest rate and term that varies with the interest rate and term of the Company's domestic revolving credit facility. This agreement is collateralized by substantially all of the subsidiary's assets and is guaranteed by the Company. The agreement prohibits the subsidiary from incurring certain additional indebtedness, limits certain investments, advances or loans, restricts substantial asset sales and certain capital expenditures, and prohibits the payment of dividends. At February 28, 2015, the interest rate under the agreement was the financial institution's Sterling Reference Rate (0.50%) plus 1.0%, the subsidiary had borrowed $0.3 million and $2.2 million was available for future borrowing.

The Company's Australian subsidiary has a revolving credit facility with an Australian financial institution that, as amended in April 2015, provides the subsidiary with advances of up to AUD3.5 million ($2.7 million). The interest rate applicable to the facility is equal to the Bank Bill Swap Bid Rate (3.8% at February 28, 2015) plus 2.2%. The subsidiary's obligations under the facility are collateralized by substantially all of the subsidiary's assets and the Australian financial institution is indemnified against loss by the Company. The facility expires in October 2015. At February 28, 2015, the subsidiary had borrowed $ 1.1 million under the facility.

The Company's French subsidiary has lines of credit with two French financial institutions that, as amended through March 2015, 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, 2015, the facilities bear interest rates that range from the Euro Interbank Offered Rate (ranging from 0.03% to 0.23%) plus 0.65% to 1.50% and the subsidiary had no borrowings under the facilities.

Term Loan Facilities

The Company's 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 Libor rate or the Base Rate interest rates applicable to the revolving credit facility. The facility has a term that varies with the term of the revolving credit facility. The 2010 Term Loan requires quarterly payments of principal of $0.2 million with a balloon payment at maturity. At February 28, 2015, the outstanding balance of the 2010 Term Loan was $5.4 million.

During the 2014 fiscal year, he Company also borrowed $7.5 million in a term loan under its domestic credit facility (the "2014 Term Loan"). At February 28, 2015, the outstanding balance of the 2014 Term Loan was $5.6 million. The balance of the 2014 Term loan was repaid in full in May 2015 from available cash balances.

The Company has a term loan facility with a second domestic financial institution (the "2015 Term Loan") that bears interest equal to the Libor rate plus 1.75%, matures in April 2019 and requires monthly payments of principal of less than $0.1 million with a balloon payment at maturity. The loan facility is collateralized by certain of the Company's assets and requires the Company to maintain similar financial covenants to those required by the domestic revolving credit facility. At February 28, 2015, the outstanding balance of the 2015 Term Loan was $ 8.2 million.

The Company has a mortgage facility that is collateralized by its manufacturing and distribution facility in Adelanto, California. The mortgage bears interest equal to the Libor rate plus 2.25%, matures in February 2018, and requires principal payments of less than $0.1 million annually with a balloon payment on maturity. At February 28, 2015, the mortgage balance was $1.0 million.

At February 28, 2015 and 2014, the outstanding balance of an unsecured note issued in connection with a 1999 acquisition that matures in October 2015 was $0.3 million with an interest rate of 5.5%.

Capital Lease Facilities

Assets purchased under capital leases are composed primarily of manufacturing and computer equipment.

11. COMMITMENTS AND CONTINGENCIES

Future Minimum Obligations

Future minimum payments under non-cancelable operating leases are as follows for fiscal years ending after February 28, 2015 (in millions): $2.8 in 2016, $1.8 in 2017, $1.5 in 2018, $1.4 in 2019, $1.2 in 2020, and $0.9 thereafter

Rent expense under non-cancelable operating leases totaled $3.1 million and $3.3 million in fiscal 2015 and 2014, respectively.

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., a subsidiary of the Company, is a co-defendant in thirty-nine (39) 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., Premix's parent company, also is named as a co-defendant in twenty-five (25) of these cases. Imperial is a co-defendant in one additional case, which does not name Premix as a co-defendant. Insurance carriers that provide umbrella/excess coverage for these pending cases have, under a reservation of rights, appointed outside counsel to represent and defend Premix and Imperial. These policies are not subject to a deductible or self-insured retention. Premix and Imperial believe that, based on past settlements and outcomes of asbestos cases, there should be adequate insurance coverage for these pending cases.

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

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

12. EMPLOYEE BENEFIT PLANS

The Company and certain of its subsidiaries offer defined contribution benefit plans to employees. These plans provide for voluntary contributions by employees and matching contributions by the Company, subject to certain limitations. The Company made matching contributions totaling $0.2 million in each of the years ended February 28, 2015 and 2014.

The Company also offers a deferred compensation plan that provides certain management personnel with an opportunity to defer receipt of a portion of their salary, bonus and other specified cash compensation. The Company entered into a trust under the plan that is used to set aside the amounts of deferred compensation and the earnings from the investment of such amounts. The trust assets and the Company's liability under the plan as of February 28, 2015 and 2014 were $0.7 million and $0.6 million, respectively.

13. INCOME TAXES

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

	February 28, 2015	February 28, 2014
United States	$ 1,757	$ 13,338
Foreign	1,121	7,061
Income before provision for income taxes	$ 2,878	$ 20,399

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

	February 28, 2015	February 28, 2014
Current:		
Federal	$ (176)	$ 1,695
State	(48)	193
Foreign	1,036	1,616
	812	3,504
Deferred:		
Federal	246	119
State	52	16
Foreign	(92)	672
	206	807
Provision for income taxes	$ 1,018	$ 4,311

Cash paid for income taxes in fiscal 2015 and 2014 was $2.1 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, 2015		February 28, 2014	
	Amount	%	Amount	%
Provision for income taxes at the federal statutory rate	$ 978	34.0%	$ 6,936	34.0%
State and local income taxes, net of federal tax benefit	3	0.1%	41	0.2%
Foreign tax rate differential	(156)	-5.4%	(275)	-1.3%
Tax valuation allowance	(103)	-3.6%	-	
Non-operating income	-		(2,822)	-13.8%
Intangible assets amortization	440	15.3%	435	2.1%
Other	(144)	-5.0%	(4)	
Actual provision for income taxes	$ 1,018	35.4%	$ 4,311	21.2%

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

	February 28, 2015	February 28, 2014
Deferred Tax Assets:		
Net operating losses and foreign tax credit carry forwards	$ 22,302	$ 22,265
Inventories	1,343	1,724
Intangible assets	668	837
Accrued expenses	1,424	1,266
Other	96	105
	25,833	26,197
Less: valuation allowance on net operating losses and foreign tax credit carry forwards	(19,743)	(19,848)
Total deferred tax assets	6,090	6,349
Deferred Tax Liabilities:		
Property and equipment	(1,147)	(1,209)
Prepaid expenses	(284)	(307)
Other	(164)	(163)
Total deferred tax liabilities	(1,595)	(1,679)
Net Deferred Tax Asset	$ 4,495	$ 4,670

In fiscal 2014 the Company acquired the stock of Faus, which resulted in a net increase in the deferred tax asset by $1.2 million relating to differences in the book versus tax basis of the acquiree's assets as of the date of acquisition and other tax attributes acquired. In addition, as part of the acquisition, the Company acquired tax loss carry forwards of $53.9 million that will begin to expire in 2027. Realization of the loss carry forwards is subject to statutory limitation resulting from ownership changes. Accordingly, on the date of the acquisition, the Company recorded deferred tax assets related to the acquisition loss carry forwards of $19.7 million and related valuation allowances of $17.9 million, principally as a result of the statutory limitation.

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, 2015	February 28, 2014
Unrecognized tax benefits, beginning of year	$ 725	$ 639
Additions based on tax position related to current year	8	86
Reductions for tax positions of prior years	(60)	-
Unrecognized tax benefits, end of year	$ 673	$ 725

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 2011.

Undistributed earnings of the Company's foreign subsidiaries included in retained earnings were $5.9 million at February 28, 2015. These earnings are considered to be permanently reinvested and, accordingly, no provision for additional US income taxes has been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, the Company may be subject to foreign withholding taxes and would be subject to US income taxes, net of foreign tax credits. The amount of tax that would be payable upon remittance of these earnings would not be significant based on tax regulations and currency exchange rates in effect at February 28, 2015.

14. 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 43% of net sales in fiscal 2015 and 2014, respectively, and approximately 34% of accounts receivable at both February 28, 2015 and February 28, 2014.

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.

15. SHAREHOLDERS' EQUITY

The Company is authorized to issue a maximum of 2,500,000 shares of $1 par value 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 $1.00 plus accrued and unpaid dividends. At February 28, 2015 and February 28, 2014, there were 319,160 shares of Series A Preferred Stock issued and outstanding. Dividends declared and paid related to the Series A Preferred Stock were immaterial in each period presented.

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 $.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, 2015 and February 28, 2014, 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 $.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. The Company may redeem any or all of the shares of Series C Preferred Stock at a price per share of $1.00. At February 28, 2015 and February 28, 2014, there were 17,500 shares of Series C Preferred Stock issued and outstanding. Dividends declared and paid related to the Series C Preferred Stock were immaterial in each period presented.

Treasury Stock

The Company has purchased from time to time shares of its common stock to be held in treasury. As of February 28, 2015 the number of shares held in treasury was 586,351 at an aggregate cost of $6.6 million. In fiscal 2015, the Company purchased 47,800 shares of common stock at an aggregate cost of $0.9 million. In fiscal 2014, the Company purchased 21,900 shares of common stock at an aggregate cost of $0.4 million. The Company has entered into a formal purchase plan pursuant to which the Company may purchase up to $1.0 million per year of additional shares of common stock on the open market or in privately negotiated transactions.

16. 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.

At February 28, 2015 and 2014, there were 35,000 options outstanding that expire through July 2016 and are exercisable at a weighted average exercise price of $7.37 per share (ranging from $6.75 to $11.11 per share). The intrinsic value of these options at February 28, 2015 was $0.4 million.

In December 2013, the Company granted 15,000 shares of restricted common stock to its non-employee directors. The fair value of the shares was $19.50 per share at the date of grant. The terms of the grant include provisions for equal vesting over a five year period that commenced in December 2014. Until vested, the restricted shares cannot be transferred and have no rights to vote or receive dividends. The amortization of the related expense for the year ended February 28, 2015 has been included in operating expenses and additional paid-in capital. At February 28, 2015, unamortized compensation expense was $0.2 million.

17. RELATED PARTY TRANSACTIONS

During fiscal 2015 and 2014, the Company employed certain individuals who are related to the Company's Chief Executive Officer or President. These individuals were paid a total of $0.2 million in fiscal 2015 and 2014. Pursuant to a Board resolution the Company may repurchase up to $120,000 per annum of shares of its outstanding common stock from one of these individuals at a price per share equal to the closing price of the common stock on the date of repurchase. Pursuant to this resolution, in fiscal 2015 and 2014 the Company repurchased 7,000 shares, in each year, at a cost of $0.1 million each year. During fiscal 2015 and 2014, the Company repurchased an additional 10,000 and 11,000 shares, respectively, in privately negotiated transactions with the same individual, at a cost of $0.2 million in each year.