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

Consolidated Financial Statements
For the Years Ended February 29, 2016 and February 28, 2015

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated financial statements of Q.E.P. Co., Inc. (a Florida Corporation) and subsidiaries, which comprise the consolidated balance sheets as of February 29, 2016 and February 28, 2015, and the related consolidated statements of earnings, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Q.E.P. Co., Inc. and subsidiaries as of February 29, 2016, and February 28, 2015, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Q.E.P. Co., Inc. adopted new accounting guidance for the years ended February 29, 2016 and February 28, 2015, related to the presentation of deferred income taxes. Our opinion is not modified with respect to this matter.

Grant Thornton LLP

Fort Lauderdale, Florida
May 19, 2016

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

	February 29, 2016	February 28, 2015
ASSETS		
Cash	$ 15,923	$ 10,576
Accounts receivable, less allowance for doubtful accounts of $377 and $404 as of February 29, 2016 and February 28, 2015, respectively	39,491	39,924
Inventories	42,797	44,121
Prepaid expenses and other current assets	2,234	3,057
Current assets	**100,445**	**97,678**
Property and equipment, net	19,538	21,713
Deferred income taxes, net	5,288	4,495
Intangibles, net	12,764	15,460
Goodwill	2,953	3,261
Other assets	550	600
Total Assets	**$ 141,538**	**$ 143,207**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	$ 18,432	$ 18,097
Accrued liabilities	17,854	13,832
Income taxes payable (prepaid)	383	(721)
Lines of credit	23,093	24,895
Current maturities of notes payable	2,032	7,759
Current liabilities	**61,794**	**63,862**
Notes payable	10,899	12,781
Other long term liabilities	589	765
Total Liabilities	**73,282**	**77,408**
Preferred stock, 2,500 shares authorized, $1.00 par value; 337 shares issued and outstanding at February 29, 2016 and February 28, 2015	337	337
Common stock, 20,000 shares authorized, $.001 par value; 3,802 and 3,800 shares issued, and 3,198 and 3,214 shares outstanding at February 29, 2016 and February 28, 2015, respectively	4	4
Additional paid-in capital	10,737	10,679
Retained earnings	67,952	63,983
Treasury stock, 604 and 586 shares held at cost at February 29, 2016 and February 28, 2015, respectively	(6,884)	(6,584)
Accumulated other comprehensive income	(3,890)	(2,620)
Shareholders' Equity	**68,256**	**65,799**
Total Liabilities and Shareholders' Equity	**$ 141,538**	**$ 143,207**

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)

	For the Year Ended	
	February 29, 2016	February 28, 2015
Net sales	$ 309,237	$ 297,666
Cost of goods sold	227,698	217,820
Gross profit	**81,539**	**79,846**
Operating expenses:		
Shipping	27,104	28,167
General and administrative	25,450	24,565
Selling and marketing	21,399	23,126
Other income, net	(407)	(237)
Total operating expenses	73,546	75,621
Operating income	**7,993**	**4,225**
Interest expense, net	(1,152)	(1,347)
Income before provision for income taxes	**6,841**	**2,878**
Provision for income taxes	2,865	1,018
Net income	**$ 3,976**	**$ 1,860**
Net income per share:		
Basic	$ 1.24	$ 0.57
Diluted	$ 1.23	$ 0.57
Weighted average number of common shares outstanding:		
Basic	3,206	3,237
Diluted	3,228	3,261

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 29, 2016	February 28, 2015
Net income	$ 3,976	$ 1,860
Unrealized currency translation adjustments	(1,270)	(2,072)
Comprehensive income (loss)	**$ 2,706**	**$ (212)**

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 29, 2016	February 28, 2015
Operating activities:		
Net income	$ 3,976	$ 1,860
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,404	5,112
Other non-cash adjustments	155	430
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	(1,180)	3,231
Inventories	(103)	(2,826)
Prepaid expenses and other assets	(36)	17
Trade accounts payable and accrued liabilities	6,457	(3,639)
Net cash provided by operating activities	**13,673**	**4,185**
Investing activities:		
Proceeds from sale of property	359	181
Capital expenditures	(1,214)	(1,306)
Acquisition	-	(353)
Net cash used in investing activities	**(855)**	**(1,478)**
Financing activities:		
Net borrowings (repayments) under lines of credit	471	(1,157)
Net borrowings (repayments) of notes payable	(7,609)	7,308
Purchase of treasury stock	(291)	(876)
Dividends	(7)	(7)
Net cash provided by (used in) financing activities	**(7,436)**	**5,268**
Effect of exchange rate changes on cash	(35)	(20)
Net increase in cash	**5,347**	**7,955**
Cash at beginning of period	10,576	2,621
Cash at end of period	**$ 15,923**	**$ 10,576**

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

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

	Preferred Stock		Common Stock		Paid-in	Retained	Treasury	Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Shares	Amount	Capital	Earnings	Stock	Income	Equity
Balance at February 28, 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**
Net income						3,976			3,976
Other comprehensive income								(1,270)	(1,270)
Options exercised			1,683	-					-
Purchase of treasury stock							(300)		(300)
Stock-based compensation expense					58				58
Dividends paid						(7)			(7)
Balance at February 29, 2016	**336,660**	**$ 337**	**3,802,274**	**$ 4**	**$ 10,737**	**$ 67,952**	**$ (6,884)**	**$ (3,890)**	**$ 68,256**

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 May 19, 2016, the date the financial statements were available to be issued, for material subsequent events requiring recognition or disclosure.

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

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.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. The objective of this update is to simplify the presentation of deferred income taxes by requiring all deferred tax assets and liabilities to be classified as noncurrent in the statement of financial position. The amendments in this update do not affect the current requirement to offset deferred tax assets and liabilities for each tax-paying component within a tax jurisdiction. This ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, and can be applied either prospectively or retrospectively. Early adoption is permitted.

The Company has elected early adoption on a retrospective basis for the fiscal year ended February 29, 2016. The effect of the retrospective adoption on the Company's previously reported February 28, 2015 balance sheet is as follows (in thousands):

Current deferred taxes			Current assets			Non-current deferred taxes		
Reported	Adjustment	Revised	Reported	Adjustment	Revised	Reported	Adjustment	Revised
$ 660	$ (660)	$ -	$ 98,338	$ (660)	$ 97,678	$ 3,835	$ 660	$ 4,495

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 2016 or 2015.

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 year 2016 and 2015, losses of $0.2 million and $0.4 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 and included in shipping. Shipping costs billed to customers are included in net sales.

Advertising Allowances and Costs

Advertising allowances are expensed as incurred and totaled $7.1 million and $6.9 million for the years ended February 29, 2016 and February 28, 2015, 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 $0.7 million and $0.9 million for fiscal year 2016 and 2015, respectively. These costs are recorded in selling and marketing expenses and primarily consist of advertising through direct media and in trade publications.

Warranty Costs

The Company provides for estimated product warranty expenses when it sells the related product. Since warranty estimates are forecasts that are based on the best available information, mostly historical claims experience, the claims costs may differ from amounts provided. A warranty accrual of approximately $0.5 million was recorded as of February 29, 2016 and February 28, 2015. This accrual represent 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 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.

New Accounting Standards

In February 2016, the FASB released ASU 2016-02, Leases, which requires recognition of lease assets and lease liabilities on the balance sheet of lessees. The new guidance is effective for public business entities in fiscal years beginning after December 15, 2018. The effective date for most other entities is deferred for one year, meaning that most calendar-year private companies will be required to adopt the new standard in 2020. Early adoption is permitted for all entities. ASU 2016-02 requires a modified retrospective transition approach and provides certain optional transition relief. The Company is assessing what impacts this new standard will have on its financial statements.

In August 2015, the FASB issued ASU 2015-15, "Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line of Credit Arrangements." This ASU provides additional guidance to ASU 2015-03, discussed further below, which did not address presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. ASU 2015-15 noted that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Company will adopt this guidance in the first quarter of fiscal year 2017 and does not expect it to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The new standard requires that all costs incurred to issue debt be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. The standard also indicates that debt issuance costs do not meet the definition of an asset because they provide no future economic benefit. This ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The new guidance should be applied on a retrospective basis. The Company will adopt this guidance in the first quarter of fiscal year 2017 and does not expect it to have a material impact on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." This ASU changes the measurement principle for certain inventory methods from the lower of cost or market to the lower of cost and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The provisions of ASU 2015-11 are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company will adopt this guidance in the first quarter of fiscal year 2017 and does not expect it to have a material impact on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." The new standard amends the consolidation guidance in ASC 810 and significantly changes the consolidation analysis required under current generally accepted accounting principles. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company does not expect this new guidance to have a significant impact on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, an accounting standards update that will supersede most current revenue recognition guidance and modify the accounting for certain costs associated with revenue generation. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a number of steps to apply to achieve that principle. The standard is effective in 2017. Additional disclosures will also be required under the new standard. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, an accounting standards update providing a deferral of the effective date of Update 2014-09 by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in Update 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. All other entities should apply the guidance in Update 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Company is assessing what impact this new standard will have on its financial statements.

3. 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.

4. 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 year 2016 or 2015.

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 29, 2016	February 28, 2015
Weighted average number of common shares outstanding - basic	3,206	3,237
Dilution from stock options and restricted stock	22	24
Weighted average number of common shares outstanding - diluted	3,228	3,261

5. SEGMENT INFORMATION

The Company operates in three business segments: North America, Europe and Australia/New Zealand. Management has chosen to organize the segments into geographic areas, with each segment being the responsibility of a segment manager. Each segment markets and sells to home improvement retail centers and specialty distribution outlets. The European segment is made up of operations in the UK, France and Holland while the North American segment is made up of operations in the United States and Canada.

Prior to the fiscal year ended February 29, 2016, the Company operated in four business segments. In the current year, the Company re-evaluated its segments in accordance with ASC 280 and determined that the Canada component is now considered part of the North American segment. The Company determined that Canada and North America share similar operating and economic characteristics and share a chief operating decision maker and segment manager. The prior year amounts have been revised.

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 29, 2016	February 28, 2015
Net sales:		
North America	$ 217,058	$ 204,993
Europe	45,134	48,108
Australia/New Zealand	47,045	44,565
Total	$ 309,237	$ 297,666
Operating income:		
North America	$ 5,799	$ 1,188
Europe	1,222	1,538
Australia/New Zealand	972	1,499
Total	$ 7,993	$ 4,225
Depreciation and amortization:		
North America	$ 2,802	$ 3,366
Europe	1,521	1,631
Australia/New Zealand	81	115
Total	$ 4,404	$ 5,112
Capital expenditures:		
North America	$ 881	$ 828
Europe	177	303
Australia/New Zealand	156	175
Total	$ 1,214	$ 1,306

Total assets:	February 29, 2016	February 28, 2015
North America	$ 93,950	$ 93,908
Europe	36,152	38,500
Australia/New Zealand	11,436	10,799
Total	$ 141,538	$ 143,207

At February 29, 2016 and February 28, 2015, total assets included $35.3 million and $40.4 million, respectively, of net property and equipment and net intangibles, including $21.2 million and $23.5 million, respectively, located in the North America segment and $13.6 million and $16.5 million, respectively, located in the Europe segment.

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

6. INVENTORIES

Inventories consisted of the following (in thousands):

	February 29, 2016	February 28, 2015
Finished goods	$ 30,879	$ 32,839
Raw materials and work-in-process	11,918	11,282
	$ 42,797	$ 44,121

7. PROPERTY AND EQUIPMENT

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

	February 29, 2016	February 28, 2015
Machinery and warehouse equipment	$ 22,308	$ 21,518
Building and leasehold improvements	12,745	13,102
Office furniture, equipment and computer equipment	7,332	7,247
	42,385	41,867
Less: Accumulated depreciation and amortization	(22,847)	(20,154)
Property and equipment, net	$ 19,538	$ 21,713

Depreciation expense of property and equipment was $2.9 million and $3.5 million for fiscal year 2016 and 2015, respectively. Amortization of assets recorded under capital leases is included in depreciation expense.

8. INTANGIBLE ASSETS

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

	February 29, 2016	February 28, 2015
Beginning of year	$ 3,261	$ 3,558
Unrealized currency translation adjustments	(308)	(297)
End of year	$ 2,953	$ 3,261

At February 29, 2016 the balance of goodwill included $2.2 million and $0.8 million associated with the Company's European and North American segments, respectively.

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

	Remaining Weighted Average Useful Life	February 29, 2016 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	February 28, 2015 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Supply agreement	12	$ 9,436	$ (1,887)	$ 7,549	$10,490	$ (1,399)	$ 9,091
Trademarks	11	6,680	(2,957)	3,723	6,928	(2,656)	4,272
Customer lists	4	2,569	(1,077)	1,492	2,801	(791)	2,010
Other intangibles	0	315	(315)	-	341	(254)	87
		$ 19,000	$ (6,236)	$ 12,764	$20,560	$ (5,100)	$ 15,460

Other intangibles represent a non-compete agreement. Amortization expense related to intangible assets was $1.5 million and $1.6 million in fiscal year 2016 and 2015, respectively. Estimated amortization expense for each of the fiscal years in the five year period ending in February 2021 is $1.2 million for 2017 through 2019, $1.1 million for 2020, $1.0 million for 2021, and $7.1 million thereafter.

9. DEBT

Debt consists of the following (in thousands):

	February 29, 2016	February 28, 2015
Lines of Credit:		
Domestic revolving credit facility	$ 19,325	$ 23,487
International credit facilities	3,768	1,408
	$ 23,093	$ 24,895
Notes Payable:		
Term loan facilities	$ 4,650	$ 11,232
Mortgage facilities	8,220	9,190
Capital lease facilities	61	118
	12,931	20,540
Less current installments	2,032	7,759
	$ 10,899	$ 12,781

Current installments of Notes Payable at February 28, 2015 included the $5.6 million balance outstanding of the 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 2021 are as follows: $2.0 million in 2017, $5.4 million in 2018, $0.9 million in 2019 and $4.6 million in 2020.

Interest paid for all debt was $1.2 million in fiscal year 2016 and $1.3 million in fiscal year 2015.

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 29, 2016, the interest rate under the revolving credit facility was Libor (ranging from 0.44% to 0.51%) plus 1.75%, the Company had borrowed $19.3 million in foreign currencies and $10.6 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 29, 2016, the interest rate under the agreement was the financial institution's Sterling Reference Rate (0.51%) plus 0.75%, the subsidiary had no borrowings under the facility and $3.2 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 December 2015, provides the subsidiary with advances of up to AUD4.5 million ($3.2 million). The interest rate applicable to the facility is equal to the Australian 30 day variable rate (3.7% at February 29, 2016) 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 2016. At February 29, 2016, the subsidiary had borrowed $3.2 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 29, 2016, the facilities bear interest at the Euro Interbank Offered Rate (minus 0.27%) plus a range of 0.65% to 0.85%. At February 29, 2016, the subsidiary had borrowed $0.6 million under the facility.

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 29, 2016, the outstanding balance of the 2010 Term Loan was $4.5 million.

Prior to the 2015 fiscal year, the Company borrowed $7.5 million in a term loan under its domestic credit facility (the "Term Loan"). The balance of the 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 2015 Term Loan 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 29, 2016, the outstanding balance of the 2015 Term Loan was $7.3 million and included in mortgage facilities.

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 29, 2016, the mortgage balance was $0.9 million.

At February 29, 2016 and 2015, the outstanding balance of an unsecured note issued in connection with a 1999 acquisition that matures in October 2016 was $0.2 million and $0.3 million, respectively, with an interest rate of 5.5%.

Capital Lease Facilities

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

10. COMMITMENTS AND CONTINGENCIES

Future Minimum Obligations

Future minimum payments under non-cancelable operating leases are as follows for fiscal years ending after February 29, 2016 (in millions): $2.5 in 2017, $1.8 in 2018, $1.6 in 2019, $1.2 in 2020, $0.6 in 2021, and $0.2 thereafter.

Rent expense under non-cancelable operating leases totaled $3.0 million and $3.1 million in fiscal years 2016 and 2015, 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 forty two (42) 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-one (21) 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.

11. EMPLOYEE BENEFIT PLANS

The Company and certain of its subsidiaries offer defined contribution benefit plans to employees. These plans provide for voluntary contributions by employees and matching contributions by the Company, subject to certain limitations. The Company made matching contributions totaling $0.2 million in fiscal years 2016 and 2015.

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 29, 2016 were $0.9 million and $0.8 million, respectively and as of February 28, 2015 were $0.7 million and $0.6 million, respectively.

12. INCOME TAXES

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

	February 29, 2016	February 28, 2015
United States	$ 6,638	$ 1,757
Foreign	203	1,121
Income before provision for income taxes	$ 6,841	$ 2,878

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

	February 29, 2016	February 28, 2015
Current:		
Federal	$ 2,758	$ (176)
State	240	(48)
Foreign	715	1,036
	3,713	812
Deferred:		
Federal	(561)	246
State	(86)	52
Foreign	(201)	(92)
	(848)	206
Provision for income taxes	$ 2,865	$ 1,018

Cash paid for income taxes in fiscal year 2016 and 2015 was $2.6 million and $2.1 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 29, 2016		February 28, 2015	
	Amount	%	Amount	%
Provision for income taxes at the federal statutory rate	$ 2,326	34.0%	$ 978	34.0%
State and local income taxes, net of federal tax benefit	195	2.9%	3	0.1%
Foreign tax rate differential	(25)	-0.4%	(156)	-5.4%
Tax valuation allowance	(103)	-1.5%	(103)	-3.6%
Intangible assets amortization	416	6.1%	440	15.3%
Other	56	0.8%	(144)	-5.0%
Actual provision for income taxes	$ 2,865	41.9%	$ 1,018	35.4%

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

	February 29, 2016	February 28, 2015
Deferred Tax Assets:		
Net operating losses and foreign tax credit carry forwards	$ 22,311	$ 22,302
Inventories	1,784	1,343
Intangible assets	639	668
Accrued expenses	1,566	1,424
Other	91	96
	26,391	25,833
Less: valuation allowance on net operating losses and foreign tax credit carry forwards	(19,638)	(19,743)
Total deferred tax assets	6,753	6,090
Deferred Tax Liabilities:		
Property and equipment	(1,020)	(1,147)
Prepaid expenses	(256)	(284)
Other	(189)	(164)
Total deferred tax liabilities	(1,465)	(1,595)
Net Deferred Tax Asset	$ 5,288	$ 4,495

The Company has net operating loss carry forwards principally from acquisitions of $58.7 million that will begin to expire in 2027. Realization of the loss carry forwards is subject to limitation as a result of ownership changes. Accordingly, the Company has recorded a valuation allowance of $19.6 million as it is unlikely that the 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 2035.

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 29, 2016	February 28, 2015
Unrecognized tax benefits, beginning of year	$ 673	$ 725
Additions based on tax position related to current year	79	8
Reductions for tax positions of prior years	(180)	(60)
Unrecognized tax benefits, end of year	$ 572	$ 673

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 2014.

Undistributed earnings of the Company's foreign subsidiaries included in retained earnings were $5.9 million at February 29, 2016. 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 29, 2016.

13. 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 41% and 39% of net sales in fiscal years 2016 and 2015, respectively, and approximately 38% and 34% of accounts receivable at February 29, 2016 and February 28, 2015, respectively.

The Company has multiple sources of supply for nearly all raw materials and finished products purchased from suppliers, and is not dependent on a single supplier for more than 10% of such purchases.

14. 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 29, 2016 and February 28, 2015, 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 29, 2016 and February 28, 2015, 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 29, 2016 and February 28, 2015, 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 29, 2016 the number of shares held in treasury was 604,351 at an aggregate cost of $6.9 million. In fiscal year 2016, the Company purchased 18,000 shares of common stock at an aggregate cost of $0.3 million. In fiscal year 2015, the Company purchased 47,800 shares of common stock at an aggregate cost of $0.9 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.

15. 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 29, 2016 and February 28, 2015, there were 30,000 options outstanding that expire through July 2016 and are exercisable at an exercise price of $6.75 per share. The intrinsic value of these options at February 29, 2016 was $0.3 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 fiscal years ended February 29, 2016 and February 28, 2015 have been included in operating expenses and additional paid-in capital. At February 29, 2016 and February 28, 2015, unamortized compensation expense was $0.2 million in each period, respectively.

16. RELATED PARTY TRANSACTIONS

During fiscal years 2016 and 2015, 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 years 2016 and 2015. 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 2016 and 2015 the Company repurchased 8,000 and 7,000 shares, respectively, at a cost of $0.1 million each year. During fiscal years 2016 and 2015, the Company repurchased an additional 10,000 shares, in each year, in privately negotiated transactions with the same individual, at a cost of $0.2 million in each year.