

Q.E.P. CO., INC.
a Delaware corporation

1001 Broken Sound Parkway, NW, Suite A
Boca Raton, FL 33487

Telephone: [561-994-5550](tel:561-994-5550)
Corporate Website: www.qepcorporate.com
Company Email: ir@qep.com

SIC Code: 3420

Annual Report
For the period ending: February 28, 2025
(the "Reporting Period")

The number of shares outstanding of our Common Stock was 3,255,334 as of February 28, 2025.

The number of shares outstanding of our Common Stock was 3,286,356 as of February 29, 2024.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: No:

¹ "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

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All information contained in this Annual Report has been compiled to fulfill the disclosure requirements of OTC Markets Group, Inc. and Rule 15c2-11 under the Securities Exchange Act of 1934. The captions contained herein correspond to the sequential format as set forth in the applicable disclosure guidelines of OTC Markets Group, Inc. All dollar amounts are presented in thousands except par values.

Forward-Looking Statements

This Annual Report contains forward-looking statements. All statements contained in this Annual Report, other than statements of historical facts, may constitute forward-looking statements within the meaning of the federal securities laws. These statements can be identified by words such as "expects," "plans," "projects," "will," "may," "anticipates," "believes," "should," "intends," "estimates," and other words of similar meaning. These forward-looking statements include, but are not limited to, (i) statements regarding (a) pending legal proceedings and/or administrative matters, (b) exposure of the Company to significant fines and penalties if the Company fails to comply with certain environmental laws or approval requirements and (c) the inability to obtain components and products as required or to develop alternative sources, if and as required in the future and (ii) statements under the section titled "Competitive Business Conditions, the Issuer's Competitive Position in the Industry, and Methods of Competition." Any forward-looking statements contained herein are based on current expectations and beliefs, and are subject to a number of risks and uncertainties, including risks related to the following: challenges presented by (i) scarcity and rising cost for raw materials, (ii) shifts in global sourcing patterns, and (iii) general inflationary pressures, economic conditions, sales growth, price increases, maintaining and improving profitability, product development and marketing, operating expenses, cost savings, the successful completion of acquisitions and dispositions, acquisition integration, operational synergy realization, global sourcing, political uncertainty, cash flow, debt and currency exchange rates, including as a result of (A) the imposition and changes to tariffs, including the effects of tariffs on goods imported from China and Vietnam, which countries the Company relies on for the manufacturing and importation of many of the Company's flooring installation tool products and related accessories, and tariffs on all steel and aluminum imports into the United States, (B) trade policies affecting macroeconomic conditions and/or (C) retaliatory trade actions taken by global trading partners. Forward-looking statements may also be adversely affected by general market factors, competitive product development, product availability, federal and state regulations and legislation, manufacturing issues that may arise, patent positions and litigation, among other factors. The forward-looking statements contained in this Annual Report speak only as of the date the statements were made, and the Company does not undertake any obligation to update forward-looking statements, except as required by law.

PART A GENERAL COMPANY INFORMATION

Item 1 The exact name of the issuer and its predecessor (if any).

Q.E.P. Co., Inc. ("QEP", the "Company", "we", "us", or "our")

Item 2 The address of the issuer's principal executive offices and principal place of business:

Principal Executive Offices:

1001 Broken Sound Parkway, NW, Suite A
Boca Raton, FL 33487

Telephone: 561-994-5550

Facsimile: 561-994-1530

Corporate Website: www.gepcorporate.com

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Investor Relations Representatives:

Enos Brown, Executive Vice President, Chief Financial Officer & Treasurer (Email: ebrown@qep.com); or
Adam Morgan, Chief Legal & Administrative Officer (Email: amorgan@qep.com)

Q.E.P. Co., Inc.
1001 Broken Sound Parkway, NW, Suite A
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Telephone: 561-994-5550
Facsimile: 561-994-1530

Check box if principal executive office and principal place of business are the same address:

Item 3 The jurisdiction(s) and date of the issuer's incorporation or organization.

Jurisdiction of incorporation: Delaware (Active)
Date of incorporation: August 5, 1996 (founded in 1979)

PART B SHARE STRUCTURE

Item 4 Exact title and class of securities outstanding.

A. Common Stock

Title: Q.E.P. Co., Inc.
Class: Common Stock, \$0.001 par value
CUSIP: 74727K 102
Trading Symbol: QEPC

B. Preferred Stock (authorized, but no shares outstanding)

Title: Q.E.P. Co., Inc.
Class: Preferred Stock, \$1.00 par value
CUSIP: N/A
Trading Symbol: N/A

Item 5 Par or stated value and description of the security.

A. Par or Stated Value.

Common Stock: \$0.001 par value
Preferred Stock: \$1.00 par value

B. Common or Preferred Stock.

1. Common Stock dividend, voting and preemptive rights:

Cash dividend: Cash dividends may be paid on shares of Common Stock when and if declared by the Company's Board of Directors. On December 3, 2024, the Company announced its

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adoption of a regular quarterly cash dividend policy. The most recent cash dividend was \$0.20 per share paid on May 28, 2025 to stockholders of record on May 1, 2025.

Stock dividend: Stock dividends may be paid on shares of Common Stock when and if declared by the Company's Board of Directors. Stock dividends are not declared with any defined regularity. The most recent stock dividend was a 5% stock dividend distributed on February 19, 2021.

Voting rights: Each share is entitled to one vote.

Preemptive Rights: None.

2. Preferred Stock dividend, voting, conversion and liquidation rights as well as redemption or sinking fund provisions.

N/A—no shares of Preferred Stock issued and outstanding

3. Describe any other material rights of common or preferred stockholders.

N/A

4. Describe any provision in the issuer's charter or by-laws that would delay, defer or prevent a change in control of the issuer.

The Company has a classified (also known as "staggered") board of directors, which is divided into three classes. The directors in each class serve for a three-year term, with one class being elected each year by the Company's stockholders. This system of electing and removing directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of the Company because of the potential difficulty for stockholders to replace a majority of the directors. As of May 29, 2025, the board of directors consisted of two Class I directors and two Class III directors.

Item 6 The number of shares or total amount of the securities outstanding for each class of securities authorized.

The following table sets forth information for each class of equity securities of the Company as of the end of the Company's last two fiscal years ended February 28, 2025 and February 29, 2024, respectively.

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Securities Authorized and Outstanding

Class	As of	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (public float)	Total Number of Beneficial Stockholders⁽¹⁾	Total Number of Stockholders of Record⁽²⁾
Common Stock	Year ended 2/28/2025	20,000,000	3,255,000	3,255,000	1,966	11
Common Stock	Year ended 2/29/2024	20,000,000	3,286,000	3,286,000	2,917	12
Preferred Stock	Year ended 2/28/2025	2,500,000	0	0	0	0
Preferred Stock	Year ended 2/29/2024	2,500,000	0	0	0	0

⁽¹⁾ Estimate of individual participants represented by security position listings who beneficially own at least 100 shares of the Company's Common Stock.

⁽²⁾ Excludes holders who hold their shares in street name.

Item 7 Name and address of the transfer agent.

Mail correspondence:

Computershare Limited
c/o Computershare Investor Services
P.O. Box 43078
Providence, RI 02940-3078

Overnight correspondence:

Computershare Limited
150 Royall Street, Suite 101
Canton, MA 02021

Telephone:

Shareholder Services: 800-962-4284
Shareholder Services - International: 781-575-3120
TTD for Hearing impaired: 800-231-5469
Shareholder website: <http://www.computershare.com/investor>
Shareholder online inquiries: <https://www-us.computershare.com/investor/contact>

Computershare Limited is currently registered under the Securities Exchange Act of 1934 as an authorized transfer agent subject to regulation by the U.S. Securities and Exchange Commission.

PART C BUSINESS INFORMATION

Item 8 Nature of the issuer's business.

A. Business Development.

1. **Form of organization:** Corporation (Delaware)
2. **Year organized:** 1996 (founded in 1979)
3. **Fiscal year end date:** Last day of February
4. **Bankruptcy, receivership or any similar proceedings:** None
5. **Material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets:**

On September 20, 2023, the Company sold certain assets of its *Harris Flooring Group* to Marquis Industries Inc., a subsidiary of Live Ventures Incorporated (Nasdaq: LIVE), in a transaction valued at approximately \$7,558,000. The purchased assets included the Naturally Aged Flooring™, Harris®, Kraus® and Heritage Mill® brands in North America, as well as related inventory and associated domain names and websites.

On September 28, 2023, the Company sold certain machinery and equipment at its Johnson City, Tennessee manufacturing facility in an online auction. On September 29, 2023, the Company sold its manufacturing facility in Johnson City, Tennessee to Hatley Properties, LLC in a transaction valued at \$5,300,000.

On October 4, 2023, the Company sold its business in the United Kingdom by selling all of the outstanding shares of Q.E.P. U.K. Limited to QEP UK Holdings Limited led by Paul Boyce in a transaction valued at approximately £12,000,000 (\$14,500,000). Mr. Boyce previously served as the Company's CEO of International Operations and as a member of its Board of Directors.

On February 29, 2024, the Company sold its business in Australia and New Zealand by selling substantially all of the assets of Q.E.P. Aust. Pty. Limited and Q.E.P. NZ Limited (collectively, the "ANZ Business") to QEP Australasia Pty. Limited led by Bruce Maclaren and Tony Lei in a transaction valued at approximately AUD 14,050,000 (\$9,100,000). Mr. Maclaren previously served as the Managing Director of the ANZ Business.

Effective February 28, 2025, the Company sold its business in France by selling all of the outstanding shares of PRCI, S.A.S. to Spear & Jackson Group Limited and Neill France, S.A. in a transaction valued at €1,400,000 (\$1,453,000).

6. **Default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring us to make payments:** During the quarters ended November 30, 2021, and May 31 and November 30, 2024, the Company dissolved certain of its inactive subsidiaries. Although such dissolutions would have constituted a technical event of default under the Company's Fifth Amended and Restated Loan Agreement with Bank of America N.A., Bank of America N.A. waived any default.
7. **Any change of control:** None

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8. **Any increase of ten percent (10%) or more of the same class of equity securities:** [None](#)
9. **Any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization:**
- a. **Stock Splits (including stock splits in the form of a stock dividend) and/or stock dividends:**
 - i. [No stock splits in the last three years](#)
 - ii. [No stock dividend in the last three years](#)
 - b. **Recapitalizations:** [None](#)
 - c. **Mergers and Acquisitions:** (during the three-year period ended February 29, 2024 and during the subsequent period ending with the filing of this Report): [None](#)
 - d. **Spin-offs:** [None](#)
 - e. **Reorganizations:**

The Company began the process of restructuring its Canadian operating subsidiary, Roberts Company Canada Limited, on June 29, 2020 under the Companies' Creditor Arrangement Act (CCAA). The CCAA filing was necessitated by the Canadian subsidiary's lack of liquidity, which was further exacerbated by the negative impact of the COVID-19 pandemic. The subsidiary substantially completed its reorganization as of February 28, 2021, and the CCAA proceedings formally terminated as of May 1, 2023. As of February 28, 2023, there was no restructuring liability.

10. **Any delisting of the issuer's securities by any securities exchange:** [None.](#)

11. **Any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator:**

- a. **Legal proceedings and/or administrative matters:**

The Company and certain of its subsidiaries are involved in various disputes and proceedings that arise from time to time in the ordinary course of our business.

We record accruals for loss contingencies to the extent that we conclude their occurrence is probable and any related damages are estimable. If a range of liability is probable and estimable and some amount within the range appears to be a better estimate than any other amount within the range, we accrue that amount. If a range of liability is probable and estimable and no amount appears to be a better estimate than any other amount within the range, we accrue the minimum of such probable range. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions.

While we do not believe any of our current legal proceedings will have a material adverse effect on our financial position or results of operations, litigation is inherently unpredictable,

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and excessive verdicts do occur. Although we may believe we have substantial defenses in these matters, we could in the future incur judgments or enter into settlements that could have a material adverse effect on our consolidated financial position or results of operations of the Company in any particular period.

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

The Company’s management is not aware of any conditions requiring remedial action that, if enforced under Environmental Laws or Approval Requirements, would have a material adverse effect on the Company. The Company regularly evaluates its operations for environmental compliance to identify potential environmental exposures and for its compliance with regulatory requirements, but cannot provide assurance that future liabilities or costs will not arise.

Premix-Marbletite Manufacturing Co. (“Premix”), a subsidiary of the Company, is a co-defendant in 40 cases, where the plaintiffs are seeking unspecified damages due to alleged exposure to asbestos-containing products manufactured by Premix more than 30 years ago. Imperial Industries Inc. (“Imperial”), Premix’s parent company, is also named as a co-defendant in 12 of these suits. Insurance carriers that provide umbrella/excess coverage have, under a reservation of rights, appointed outside counsel to represent and defend Premix and Imperial. These policies do not include a deductible or self-insured retention. Based on prior settlements and case outcomes, Premix and Imperial believe adequate insurance coverage exists for the pending claims where counsel has been appointed.

From time to time, the Company is involved in routine litigation arising in the ordinary course of business. Based on currently available information, management does not believe that the outcome of any such proceedings will have a material adverse impact on the Company.

The Company maintains cash deposits that may exceed federally insured limits at certain financial institutions and is therefore subject to credit risk. Management monitors the financial stability of such institutions.

- b. **Trading suspensions by a securities regulator:** None

B. Business of Issuer.

Who We Are

Founded in 1979, QEP is a leading designer, manufacturer and distributor of a broad range of best-in-class flooring installation solutions for commercial and home improvement projects. QEP is headquartered in Boca Raton, Florida with other offices in the United States, Canada and Asia.

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What We Do

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

Organization

Following the divestiture of the majority of its foreign operations, which are presented within discontinued operations in the financial statements, the Company now reports under a single financial segment.

Acquisitions

Our business strategy includes, from time to time, the acquisition of complementary businesses financed by a combination of internally generated funds, debt and/or the issuance of shares of Common Stock. Our consolidated financial statements and results of operations reflect the acquired business after the completion of the acquisition and are not restated. We account for acquired businesses using the acquisition method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

Our History

1. Primary and secondary SIC Codes:

Primary:

3420: Cutlery, Hand Tools & General Hardware

Secondary:

3423: Hand and Edge Tools, Except Machine Tools and Handsaws

3429: Hardware, Not elsewhere classified

2. Has the issuer ever conducted operations, in the development stage, or currently conducting operations?

The Company has been conducting operations continuously since being founded in 1979.

3. Has the issuer at any time been a “shell company”²?

No.

²For the purpose of this section, a “shell company” means an issuer, other than a business combination related shell company, as defined by Securities Act Rule 405, or an asset-backed issuer, as defined by Item 1101(b) of Regulation AB, that has:

(1) No or nominal operations; and

(2) Either:

(A) No or nominal assets;

(B) Assets consisting solely of cash and cash equivalents; or

(C) Assets consisting of any amount of cash and cash equivalents and nominal other assets.

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4. The names and contact information of any parent, subsidiary, or affiliate of the issuer, its business purpose, method of operation, ownership, and whether it is included in the financial statements of the issuer:

As of February 28, 2025, Q.E.P. Co., Inc. was the parent company and 100% owner of the following domestic and foreign subsidiaries, all of which are consolidated in its financial statements and can be contacted at c/o Q.E.P. Co., Inc., 1001 Broken Sound Parkway, NW, Boca Raton, FL 33487, (561) 994-5550.

Q.E.P. Co., Inc. and Subsidiaries

Name	Relationship	Business Purpose	Method of Operation	Ownership	Included in Issuer's Consolidated Financial Statements
DOMESTIC COMPANIES					
Q.E.P. Co., Inc.	Parent	Manufacture and distribution of flooring, installation tools, adhesives and flooring-related accessories	Corporation (Delaware)	This is the Issuer	Yes
Imperial Industries, Inc.	Subsidiary	Parent of Premix-Marbletite Manufacturing Co.	Corporation (Delaware)	Parent (100%)	Yes
Premix-Marbletite Manufacturing Co.	Subsidiary	Manufacture of pool finishes, stucco, plaster and roof tile mortars	Corporation (Florida)	Imperial Industries (100%)	Yes
Q.E.P. Zocalis Holding LLC	Subsidiary	Non-operating subsidiary	Limited Liability Company (Delaware)	Parent (100%)	Yes
Roberts Consolidated Industries, Inc.	Subsidiary	Non-operating subsidiary	Corporation (Delaware)	Parent (100%)	Yes
Roberts Capitol, Inc.	Subsidiary	Non-operating subsidiary	Corporation (Florida)	Roberts Consolidated Industries (100%)	Yes
Roberts Holding International, Inc.	Subsidiary	Non-operating subsidiary	Corporation (Delaware)	Roberts Consolidated Industries (100%)	Yes
Faus Group, Inc.	Subsidiary	Non-operating subsidiary	Corporation (Georgia)	Parent (100%)	Yes

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Name	Relationship	Business Purpose	Method of Operation	Ownership	Included in Issuer's Consolidated Financial Statements
FOREIGN COMPANIES					
Q.E.P. Aust. Pty. Ltd.	Subsidiary	Non-operating subsidiary	Limited Company (Australia)	Parent (100%)	Yes
Roberts Company Canada Limited	Subsidiary	Manufacture and distribution of flooring Installation tools, adhesives and related accessories in Canada	Limited Company (Canada)	Roberts Consolidated Industries, Inc. (100%)	Yes
QEP Germany GmbH	Subsidiary	Non-operating subsidiary	Corporation (Germany)	Parent (100%)	Yes
Q.E.P. Co., HK Limited/Shanghai Regional Office	Subsidiary	Sourcing flooring tool products in Asia	Limited Company (Hong Kong)	Parent (100%)	Yes
QEP Roberts Mexicana S.A. de C.V.	Subsidiary	Non-operating subsidiary	Corporation (Mexico)	Parent (100%)	Yes
Q.E.P. Holding B.V.	Subsidiary	Non-operating subsidiary	Corporation (The Netherlands)	Parent (100%)	Yes
Roberts Holland B.V.	Subsidiary	Non-operating subsidiary	Corporation (The Netherlands)	Q.E.P. Holding B.V. (100%)	Yes
Q.E.P. Co. N.Z. Limited	Subsidiary	Non-operating subsidiary	Limited Company (New Zealand)	Parent (100%)	Yes

* Effective February 28, 2025, the Company sold all of the outstanding shares of PRCI, S.A.S. to Spear & Jackson Group Limited and Neill France, S.A. in a transaction valued at €1,400,000 (\$1,453,000).

5. The effect of existing or probable governmental regulations on the business.

See response to Question 7 below.

6. An estimate of the amount spent during each of the last two fiscal years on research and development activities, and, if applicable, the extent to which the cost of such activities were borne directly by customers.

N/A.

7. Costs and effects of compliance with environmental laws (federal, state and local).

The Company is subject to Environmental Laws and also must obtain and comply with Approval Requirements (as defined above). Failure to comply with Environmental laws or Approval Requirements may expose the Company to significant fines and penalties.

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The Company's management is not aware of any conditions requiring remedial action that, if enforced under Environmental Laws or Approval Requirements, would have a material adverse effect on the Company. The Company regularly evaluates its operations for environmental compliance to identify potential environmental exposures and for its compliance with regulatory requirements, but cannot provide assurance that future liabilities or costs will not arise.

8. The number of total employees and number of full-time employees.

	<u>Total</u>	<u>Full-time</u>
Employees as of May 29, 2025	345	313

Item 9 Nature of products or services offered.

A. Principal products or services, and their markets.

Flooring installation tools, adhesives and flooring-related accessories are sold throughout the world to home improvement retail centers and professional specialty distribution outlets.

B. Distribution methods of the products or services.

The Company's specialty tools and related products are currently sold through: (i) the Company's sales staff; (ii) independent manufacturing representatives; (iii) outside salaried and commissioned sales representatives; (iv) an in-house telemarketing sales force; and (v) e-commerce.

C. Status of any publicly announced new product or service.

N/A.

D. Competitive business conditions, the issuer's competitive position in the industry, and methods of competition.

The Company believes that competition in the home improvement flooring product market is based primarily on product quality, delivery capabilities, brand name recognition, availability of retail shelf space and price. The Company believes that its competitive strengths are its product quality, its wide range of products, delivery capabilities, brand recognition and strong customer relationships. The Company faces competition largely on a product-by-product basis from numerous manufacturing and distribution companies. The Company believes that the diversity of its product portfolio, among other things, allows it to compete effectively, although some competitors may sell larger quantities of a particular product than the Company.

The Company is aware of a number of competitors that may have greater financial, marketing and other resources than the Company. The Company is continuing to penetrate more markets within the countries it currently serves and, as a result, the Company may experience competition from foreign companies, which could adversely affect the Company's gross margins on its international sales.

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Although the Company believes that its diversified product line, brand recognition and customer service will continue to offer benefits not otherwise available to the Company's customers from foreign manufacturers, the Company could experience competition from one or more foreign manufacturers which now serve as suppliers to the Company. If one or more of the Company's larger customers were to begin purchasing products previously supplied by the Company directly from foreign manufacturers, the Company's business would be adversely affected. Increased competition from these manufacturers or others could result in lower sales, price reductions or loss of market share, each of which would have an adverse effect on the Company's results of operations.

E. Sources and availability of raw materials and the names of principal suppliers.

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

F. Dependence on one or a few major customers.

The Company's customer base includes a concentration of home improvement retailers in each of its primary markets. One such customer accounted for approximately 68% and 66% of net sales from continuing operations in the fiscal years ended February 28, 2025 and February 29, 2024, respectively, and approximately 70% and 68% of accounts receivable at February 28, 2025 and February 29, 2024, respectively.

G. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration.

We own various trademarks, licenses and patents associated with our business that range in original length from 15 years to perpetual. We do not own or lease any franchises and are not subject to any concessions. The Company's workforce is not unionized.

The Company is party to a written agreement with a third party to whom it pays a monthly royalty for the Company's LASH® tile leveling system products, which expires in December 2025.

The Company previously received royalties from a third party based on their net sales of the Company's tile leveling system products, which ceased in April 2024.

H. The need for any government approval of principal products or services and the status of any requested government approvals.

N/A.

Item 10 Nature and extent of the issuer's facilities.

The Company's principal executive office is located in Boca Raton, Florida. We currently lease office

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and equipment space in 9 facilities in five states and three countries representing approximately 684,000 square feet, that are used for a variety of business purposes including administrative offices, manufacturing, warehousing and distribution, and other functions. The terms of the leases vary from month-to-month to terms expiring in 2033.

We believe our facilities are generally well maintained, in good operating condition and adequate for our present and foreseeable business needs.

PART D MANAGEMENT STRUCTURE AND FINANCIAL INFORMATION

Item 11 Company Insiders (Officers, Directors and Control Persons).

A. Directors and Executive Officers.

1. **Directors.** The directors of the Company as well as certain information about them are as follows:

Name	Position with Company	Director Since
Lewis Gould	Executive Chairman; Chairman of the Board of Directors	1979
Leonard Gould, MBA	President and Chief Executive Officer; Director	1999
Martin Cooperman	Director	2010
Robert Costello	Director	2023

For privacy reasons, the business addresses of the Company's non-employee directors have been excluded from the above table. All correspondence to the Company's directors may be sent to any director in care of the Company's Corporate Headquarters at 1001 Broken Sound Parkway, NW, Suite A, Boca Raton, FL 33487.

The following information is provided regarding the Company's directors:

Lewis Gould, age 82, has served as the Chairman of the Company's Board of Directors from the Company's inception in 1979. Mr. Gould currently serves as the Executive Chairman of the Company. He previously served as the Company's Chief Executive Officer from its inception until August 2018 and from December 2018 to July 2020.

Leonard Gould, MBA, age 56, has served as a director of the Company since 1999. Mr. Gould has served as the Company's President & Chief Executive Officer, since January 2021. From May 2008 to January 2021, he served as the Company's President. Mr. Gould is the son of Lewis Gould.

Martin Cooperman, age 71, has served as a director of the Company since 2010 and as a member of its Audit Committee since April 2021. Mr. Cooperman has been a Principal at MEC Consulting since 2012. From 2011 until 2012, he was a Managing Partner at Geller & Company. From 1975 until 2010, Mr. Cooperman worked for Grant Thornton LLP, a global accounting, tax and advisory services firm, serving most recently as its Northeast Region Managing Partner and as a member of the firm's Senior Leadership Team.

Robert Costello, age 59, has served as a director and as a member of the Audit

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Committee of the Company since 2023. Mr. Costello is a Partner and General Counsel of TTC Equity Partners, a private investment firm, since January 2020. Prior to TTC, Mr. Costello served as General Counsel of Whitesell International from 2012 through December 2019.

2. Executive Officers.

The executive officers of the Company as of May 29, 2025 as well as certain biographical information about the executive officers who are not directors are as follows:

<u>Name & Business Address</u>	<u>Position with Company</u>	<u>Officer Since</u>
Lewis Gould Q.E.P. Co., Inc. 1001 Broken Sound Parkway, NW Boca Raton, FL 33487	Executive Chairman	1979
Leonard Gould Q.E.P. Co., Inc. 1001 Broken Sound Parkway, NW Boca Raton, FL 33487	President & Chief Executive Officer	1995
Enos Brown Q.E.P. Co., Inc. 1001 Broken Sound Parkway, NW Boca Raton, FL 33487	Executive Vice President, Chief Financial Officer & Treasurer	2009

The following information is provided regarding the Company's executive officer not already described herein:

Enos Brown, age 62, became Executive Vice President, Chief Financial Officer & Treasurer of the Company in July 2020. Mr. Brown joined the Company in 2002 and has held various senior financial positions of increasing responsibility with the Company.

3. Equity Ownership of Directors and Executive Officers.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Lewis Gould ¹	1,610,205	49.5%
All other Directors and Executive Officers as a group	N/A	Less than 1%

¹Mr. Gould's address is the Company's address at 1001 Broken Sound Parkway, NW, Suite A, Boca Raton, FL 33487.

4. Compensation of Directors and Executive Officers.

The following table sets forth information concerning the compensation paid during the last fiscal year by the Company to its directors and executive officers as a group:

Q.E.P. Co., Inc.
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For the Fiscal Year Ended February 28, 2025

Summary Compensation Schedule

Name	Fiscal Year	Fees Earned or Paid in Cash (\$)⁽¹⁾	Salaries (\$)	Bonuses (\$)	Fees Earned or Paid in Stock (\$)⁽²⁾	Stock Awards (\$)⁽²⁾	All Other Compensation⁽³⁾	Total (\$)
Non-Employee Directors ⁽⁴⁾ (2 in total)	2025	\$150,000	N/A	N/A	N/A	N/A	N/A	\$150,000
Executive Officers ⁽⁵⁾ (3 in total)	2025	N/A	\$2,052,700	\$2,342,800	N/A	N/A	\$100,454	\$4,495,954

⁽¹⁾ Directors who are employed by the Company do not receive any separate compensation for service on the Board of Directors. As of February 28, 2025, each non-employee Director receives an annual retainer of \$75,000. In addition, non-employee directors receive \$1,000 for up to two meetings of the Board of Directors they attend per year.

⁽²⁾ Represents the dollar amount recognized for financial statement reporting purposes for the fiscal year ended February 28, 2025, of restricted stock awards granted in and prior to fiscal year 2025.

⁽³⁾ The Company pays for or reimburses directors' travel, lodging and other reasonable out-of-pocket expenses in connection with attendance at Board, Committee and Stockholder meetings.

⁽⁴⁾ Includes compensation to David Kreilein who resigned from the Company's Board of Directors effective June 10, 2024.

⁽⁵⁾ The Company has determined that compensation information regarding the executive officers as a group is sufficient to an understanding of the Company and that providing confidential information as to each individual executive officer would not contribute materially to an understanding of the Company. The Company's Executive Chairman and the Company's President & Chief Executive Officer, each have an Employment Agreement with the Company. No other officer has an Employment Agreement. Certain of the Company's executive officers are parties to a Severance Agreement with the Company. Copies of the agreements referenced in this Note have been filed previously as Exhibits (see Item 17, below).

B. Other Control Persons.

None.

C. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

- 1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses).**

None.

- 2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities.**

None.

- 3. A finding or judgment by a court of competent jurisdiction (in a civil**

Q.E.P. Co., Inc.
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For the Fiscal Year Ended February 28, 2025

action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated.

None.

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

None.

- D. **Disclosure of Family Relationships**³. Describe any family relationships among and between the issuer's directors, officers, persons nominated or chosen by the issuer to become directors or officers, or beneficial owners of more than five percent (5%) of the any class of the issuer's equity securities.

The Company's President and Chief Executive Officer and member of the Board of Directors, Leonard Gould, is the son of the Company's Executive Chairman and Chairman of the Board of Directors, Lewis Gould. The Company's Assistant Corporate Secretary, Susan Gould, is the former wife of Lewis Gould and mother of Leonard Gould. The Company's Vice President Business Process Improvement, Lauraleigh Gould, is the wife of Leonard Gould and the daughter-in-law of Lewis Gould and Susan Gould. The Company's Marketing Communications Coordinator, Ben Gould, is the son of Leonard Gould and the grandson of Lewis Gould.

- E. **Disclosure of Related Party Transactions**. Describe any transaction during the issuer's last two full fiscal years and the current fiscal year or any currently proposed transaction, involving the issuer, in which (i) the amount involved exceeds the lesser of \$120,000 or one percent of the average of the issuer's total assets at year-end for its last three fiscal years and (ii) any related person⁴ had or will have a direct or indirect material interest. Disclose the following information regarding the transaction:

³The term "family relationship" means any relationship by blood, marriage or adoption, not more remote than first cousin.

⁴ The term "related person" means any director, executive officer, nominee for director, or beneficial owner of more than five percent (5%) of any class of the issuer's equity securities, immediate family members of any such person, and any person (other than a tenant or employee) sharing the household of any such person. "Immediate family members" means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law.

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The Company employs the following individuals who are related to the Company's Executive Chairman and President & Chief Executive Officer:

<u>Name</u>	<u>Title</u>	<u>Nature of Relationship</u>
Susan Gould	Assistant Corporate Secretary	Former wife of Lewis Gould and mother of Leonard Gould
Lauraleigh Gould	Vice President Business Process Improvement	Wife of Leonard Gould and daughter-in-law of Lewis Gould and Susan Gould
Joseph Santinello	Manager, Store Operations	Brother-in-law of Leonard Gould
Ben Gould	Marketing Communications Coordinator	Son of Leonard Gould and grandson of Lewis Gould

These individuals were paid a total \$0.5 million in fiscal year 2025 and \$0.4 million in fiscal year 2024, respectively. Pursuant to a Board resolution, the Company may repurchase up to \$240,000 per annum of shares of its outstanding common stock from Susan Gould at a price per share equal to the closing price of the common stock on the date of repurchase. Pursuant to this resolution, the Company repurchased \$0.2 million and zero shares in fiscal 2025 and fiscal 2024, respectively.

F. Disclosure of Conflicts of Interest.

None.

Item 12 Financial information for the issuer's most recent fiscal period.

The Company's audited consolidated financial statements for the fiscal year ended February 28, 2025 are incorporated herein by reference and filed through the OTC Disclosure and News Service, available at www.otcmarkets.com.

The consolidated financial statements include the following:

- (1) consolidated balance sheet;
- (2) consolidated statements of income;
- (3) consolidated statements of comprehensive income;
- (4) consolidated statements of cash flows;
- (5) consolidated statements of changes in equity;
- (6) notes to consolidated financial statements; and
- (7) independent auditor's report

Item 13 Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.

The Company's audited consolidated financial statements for the fiscal years ended February 28, 2025 and February 29, 2024, are incorporated herein by reference from the Company's 2025 and 2024 Annual Reports filed separately through the OTC Disclosure and News Service, available at www.otcmarkets.com.

Q.E.P. Co., Inc.
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For the Fiscal Year Ended February 28, 2025

The audited consolidated financial statements include the following:

- (1) consolidated balance sheets;
- (2) consolidated statements of income;
- (3) consolidated statements of comprehensive income;
- (4) consolidated statements of cash flows;
- (5) consolidated statements of changes in equity;
- (6) notes to consolidated financial statements; and
- (7) independent auditor's report.

Item 14 **The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to operations, business development and disclosure:**

1. Investment Banker.

None

2. Promoter.

None

3. Securities Counsel.

ANTHONY LINDER & CACOMANOLIS, PLLC
1700 Palm Beach Lakes Boulevard, Suite 820
West Palm Beach, FL 33401
Phone: 844-281-2857
Email: lanthony@anthonypllc.com

4. Auditor.

Preparation of the Company's financial statements is the responsibility of the Company's management. The Company's outside audit firm, Grant Thornton LLP ("Grant Thornton"), is responsible for expressing an opinion on these financial statements based on its audit.

Grant Thornton has confirmed to the Company that Grant Thornton and its personnel are licensed to practice public accounting in all states in which the Company performs audit procedures. According to Grant Thornton, it is one of the ten largest certified public accounting and consulting firms in the United States. Grant Thornton is subject to required periodic inspection by the Public Company Accounting Oversight Board.

Auditor contact information:

Grant Thornton LLP
1301 International Parkway, Suite 300
Fort Lauderdale, FL 33323
Phone: 954 768 9900
Email: David.Kraynick@us.gt.com

Q.E.P. Co., Inc.
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5. Public Relations Consultant.

None.

6. Investor Relations Consultant.

None.

7. Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement - the information shall include the name, address, telephone number and email address of each advisor.

N/A.

Item 15 Management's Discussion and Analysis or Plan of Operation.

A. Plan of Operation.

This item is not applicable as the Company had revenues in each of the last two fiscal years.

B. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Founded in 1979, Q.E.P. Co., Inc. is a leading designer, manufacturer and distributor of a broad range of best-in-class flooring and installation solutions for commercial and home improvement projects. QEP offers a comprehensive line of specialty installation tools, adhesives, and underlayment. QEP sells its products throughout the world to home improvement retail centers, and professional specialty distribution outlets under brand names including QEP®, LASH®, ROBERTS®, Capitol®, Premix-Marbletite® (PMM), Brutus®, and Homelux®.

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

Results of Operations

Fiscal 2025 as compared to Fiscal 2024

During fiscal 2024, QEP completed the divestment of its North American hard surface flooring businesses, its UK operations and its Australia and New Zealand business. As of fiscal 2024, these businesses are classified as discontinued operations.

Net Sales

Net sales for the twelve months ended February 28, 2025 ("fiscal 2025", or the "fiscal 2025 period") were \$243.8 million compared to \$252.0 million for the twelve months ended February 29, 2024 ("fiscal 2024", or the "fiscal 2024 period"), a decrease of \$8.2 million or 3.2%.

The fiscal 2024 decrease in net sales compared to the prior fiscal year was primarily due

Q.E.P. Co., Inc.
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For the Fiscal Year Ended February 28, 2025

to the ongoing moderation of consumer spending on home improvement projects due to elevated interest rates, inflationary pressures and broader economic uncertainty.

Gross Profit

Gross profit for fiscal 2025 was \$86.6 million compared to \$82.0 million in fiscal 2024, an increase of \$4.6 million or 5.6%. As a percentage of net sales, gross profit increased to 35.5% in the fiscal 2025 period from 32.5% in the fiscal 2024 period.

The increase in gross margin as a percentage of net sales was largely due to lower inbound freight, improved product sourcing to lower tariff countries and other fixed cost reduction initiatives.

Operating Expenses

Operating expenses for fiscal 2025 and fiscal 2024 were \$66.8 million or 27.4% of net sales and \$68.7 million or 27.3% of net sales, respectively. The reduction in operating expenses was due cost elimination initiatives associated with the reorganization activities started in fiscal 2024.

Interest income for fiscal 2025 was \$0.9 million compared to interest expense of \$1.4 million in fiscal 2024. This change is due to the Company's significant repayment of debt in the latter part of fiscal 2024 and the investment of the Company's cash surplus in fiscal 2025.

The provision for income taxes as a percentage of income before taxes was 24.1% for fiscal 2025, as compared to 23.4% for fiscal 2024.

Net income for fiscal 2025 was \$16.3 million or \$4.94 per diluted share, as compared to net loss of \$4.7 million or \$1.40 per diluted share for fiscal 2024. Excluding discontinued operations, adjusted net income for fiscal 2025 was \$15.7 million or \$4.78 per diluted share, as compared to \$9.1 million or \$2.73 per diluted share for fiscal 2024.

Liquidity and Capital Resources

Cash provided by operating activities during fiscal 2025 was \$12.7 million compared to \$29.5 million in the fiscal 2024 period, reflecting the increased investment in inventory during the current year in anticipation of the general implementation of tariffs on U.S. imports. During the fiscal 2025 period, cash provided by operations, along with proceeds from the sale of businesses, was used to fund capital expenditures, repurchase Company stock, pay dividends to stockholders and increase cash balances. During the fiscal 2024 period, cash from operations, along with proceeds from the sale of businesses was used to principally repay debt and increase cash balances.

Working capital as of February 28, 2025 was \$67.4 million compared to \$60.0 million at the end of fiscal 2024. Aggregate available cash, net of outstanding debt at the end of fiscal 2024 was \$28.4 million compared to \$21.7 million at the end of fiscal 2024.

C. Off-Balance Sheet Arrangements.

As of February 28, 2025, the Company did not have any off-balance sheet

Q.E.P. Co., Inc.
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For the Fiscal Year Ended February 28, 2025

arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

PART E ISSUANCE HISTORY

Item 16 List of securities offerings and shares issued for services in the past two years.

A. Issuances of Equity Securities. The following table sets forth information concerning the equity securities of Q.E.P. Co., Inc. issued during the fiscal years ended February 28, 2025 and February 29, 2024, respectively, and during the current fiscal year through the filing of this Annual Report:

COMMON STOCK ISSUED

Date	Nature of Offering	Party Shares Issued to	Number of Shares Issued	Trading Status of Shares	Certificates Issued with Restrictive Legends
March 31, 2023	Restricted Stock Grant	Outside Directors	15,000	Restricted	No
December 16, 2023	Restricted Stock Grant	Outside Directors	15,000	Restricted	No

B. Promissory Notes

N/A

PART F EXHIBITS

Item 17 Material Contracts.

All of the following agreements are incorporated herein by reference to the Company's Initial Disclosure Statement for the fiscal year ended February 28, 2021 except for Item 17F., which was incorporated by reference to the Company's Quarterly Report for the quarterly period ended November 30, 2021, Item 17G., which was incorporated by reference to the Company's Quarterly Report for the quarterly period ended November 30, 2022, Item 17H., which was incorporated by reference to the Company's Annual Report for the fiscal year ended February 28, 2023, Item 17.I., which was incorporated by reference to the Company's Quarterly Report for the quarterly period ended August 31, 2023, and Item 17.J., which was incorporated by reference to the Company's Annual Report for the fiscal year ended February 29, 2024.

- A. Voting Trust Agreement dated August 3, 1996, by and between Lewis Gould and Susan J. Gould, as amended on March 11, 2002 and September 18, 2013
- B. Employment Agreement dated May 1, 2002 by and between Lewis Gould and the Company.
- C. Employment Agreement dated October 20, 2010 by and between Leonard Gould and the Company.
- D. Fifth Amended and Restated Loan Agreement dated as of February 15, 2021 by and among the Company, certain affiliates of the Company, Bank of America N.A. and Bank of America as agent.
- E. Form of Severance Agreement between the Company and certain of its executive officers.

Q.E.P. Co., Inc.
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For the Fiscal Year Ended February 28, 2025

- F. Amendment No. 2 to Fifth Amended and Restated Loan and Security Agreement and Joinder of Australian Borrower dated as of November 22, 2021 by and among Q.E.P. Co., Inc. certain affiliates of the company, and Bank of America, N.A.
- G. Amendment No. 3 to Fifth Amended and Restated Loan and Security Agreement and Joinder of Australian Borrower dated as of November 28, 2022 by and among Q.E.P. Co., Inc. certain affiliates of the company, and Bank of America, N.A.
- H. Amendment No. 4 to Fifth Amended and Restated Loan and Security Agreement and Joinder of Australian Borrower dated as of May 16, 2023 by and among Q.E.P. Co., Inc. certain affiliates of the company, and Bank of America, N.A.
- I. Amendment No. 5 to Fifth Amended and Restated Loan and Security Agreement and Joinder of Australian Borrower dated as of September 29, 2023 by and among Q.E.P. Co., Inc. certain affiliates of the company, and Bank of America, N.A.
- J. Amendment No. 6 to Fifth Amended and Restated Loan and Security Agreement, Waiver, Consent and Release dated as of February 29, 2024 by and among Q.E.P. Co., Inc. certain affiliates of the company, and Bank of America, N.A.

Item 18 Articles of Incorporation and Bylaws.

All of the following agreements are incorporated herein by reference to the Company's Initial Disclosure Statement for the fiscal year ended February 28, 2021.

- A. Certificate of Incorporation of the Company filed on August 5, 1996, as amended.
- B. Second Amended and Restated Bylaws of the Company (as amended and restated on October 5, 2019).

Item 19 Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Issuer and Affiliated Purchaser Purchases of Equity Securities				
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased Under Plans or Programs
Month 1 (December 1 to December 30)	0	N/A	N/A	N/A
Month 2 (January 1 to January 31)	10,000	\$36.98	N/A	N/A
Month 3 (February 1 to February 28)	0	N/A	N/A	N/A

Item 20 Issuer's Certifications.

Please see Exhibits 20.A and 20.B on the following pages of this Annual Report.

Q.E.P. Co., Inc.
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For the Fiscal Year Ended February 28, 2025

EXHIBIT 20.A

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Leonard Gould, President and Chief Executive Officer of Q.E.P. Co., Inc., certify that:

1. I have reviewed this Annual Report of Q.E.P. Co., Inc.;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Annual Report.

Date: May 29, 2025

/s/ Leonard Gould

Leonard Gould

President & Chief Executive Officer

Q.E.P. Co., Inc.
Annual Report
For the Fiscal Year Ended February 28, 2025

EXHIBIT 20.B

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Enos Brown, Executive Vice President, Chief Financial Officer & Treasurer, of Q.E.P. Co., Inc., certify that:

1. I have reviewed this Annual Report of Q.E.P. Co., Inc.;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Annual Report.

Date: May 29, 2025

/s/ Enos Brown
Enos Brown
Executive Vice President, Chief Financial Officer
& Treasurer

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

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

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

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

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

Basis for opinion

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Grant Thornton LLP

Fort Lauderdale, Florida
May 28, 2025

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

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

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

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

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

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

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

	For the Year Ended	
	February 28, 2025	February 29, 2024
Net income (loss)	\$ 16,253	\$ (4,708)
Reclassification of currency translation adjustments to earnings	698	2,376
Unrealized currency translation adjustments	(329)	63
Comprehensive income (loss)	\$ 16,622	\$ (2,269)

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

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

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

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

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

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

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

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

1. DESCRIPTION OF BUSINESS

Founded in 1979, Q.E.P. Co., Inc. is a leading designer, manufacturer and distributor of a broad range of best-in-class flooring installation solutions for commercial and home improvement projects. QEP offers a comprehensive line of specialty installation tools, adhesives, and underlayment. QEP sells its products throughout the world to home improvement retail centers, and professional specialty distribution outlets, under brand names including QEP®, LASH®, ROBERTS®, Capitol®, Premix-Marbletite® (PMM), Brutus®, and Homelux®.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Discontinued operations

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

Accounts Receivable

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

Inventories

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

Property and Equipment

Property and equipment are stated at cost. Depreciation is recorded using the straight-line method over the assets estimated service lives. Leasehold improvements and assets held under finance leases are amortized over their expected useful life or the remaining life of the respective lease, whichever is shorter.

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

Machinery and warehouse equipment	5 to 20 years
Furniture and computer equipment	3 to 10 years
Leasehold improvements	3 to 10 years

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

Impairment of Long-Lived Assets

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

Income Taxes

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

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

Intangible Assets

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

Leases

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

Right of use assets and lease liabilities are measured at commencement date at the present value of the

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

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

Lease terms include any renewal option that the Company is reasonably certain to exercise. This determination is made based on market factors or other strategic considerations. The Company's leases have remaining lease terms of one to 19 years, with options that can extend the lease term for a period of 5 years.

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

The Company subleased warehouse space to third parties. The sublease agreements were classified as operating leases.

Earnings (Loss) Per Share

Basic earnings (loss) per share are computed based on weighted average shares outstanding during the period. Diluted earnings (loss) per share are computed using the weighted average number of common and dilutive common stock equivalent shares outstanding during the period. Dilutive common stock equivalent shares consist of the dilutive effect of stock option and restricted stock awards. For periods in which the Company reports net losses, dilutive common stock equivalent shares outstanding are not included in the calculation of diluted loss per share, because they are anti-dilutive. Net income from continuing operation was used as a control number to determine whether common stock equivalent shares were dilutive or antidilutive.

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

Fair Value of Financial Instruments

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

Foreign Currencies

The consolidated financial statements are presented in US Dollars. The financial statements of subsidiaries outside the United States are measured using the local currency as the functional currency. Assets and liabilities recorded in foreign currencies are translated at the exchange rate on the balance sheet date. Translation adjustments resulting from this process are charged or credited to equity. Revenues and expenses are translated at average rates of exchange prevailing during each month of the year. Gains and losses on foreign currency transactions are included in general and administrative expenses. Foreign currency transactions resulted in a loss of \$0.1 million and \$0.2 million for the years ended February 28, 2025 and February 29, 2024, respectively.

Revenue Recognition

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

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

Shipping Costs

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

Advertising Allowances and Costs

Advertising allowances are expensed as incurred and totaled, excluding discontinued operations, \$0.3 million in each of the years ended February 28, 2025 and February 29, 2024. In return, the Company's products are advertised in various forms of media on a local, regional or national level. The Company's products are also displayed on in-store signage and the Company receives the benefit of advertising its products directly to professional contractors. The Company is not able to reasonably estimate the fair value of the benefit received under these arrangements. Accordingly, the Company accounts for these promotional funds as a reduction to the selling price and the costs are included in net sales.

Advertising costs are expensed as incurred and totaled, excluding discontinued operations, \$0.6 million and \$0.4 million for the years ended February 28, 2025 and February 29, 2024, respectively. These costs are recorded in selling and marketing expenses and primarily consist of advertising in trade publications and social media platforms.

Warranty Costs

The Company provides for estimated product warranty expenses when it sells the related product. Since warranty estimates are forecasts that are based on the best available information, mostly historical claims experience, the claims costs may differ from amounts provided. The warranty accrual was \$0.4 million and \$0.5 million at February 28, 2025 and February 29, 2024, respectively. This accrual represents management's best estimate of its probable future liability for warranty claims related to its products, including wood, laminate, adhesives, and tools, based on a lag analysis of historical warranty claims made and paid.

Use of Estimates

In preparing financial statements, management is required to make certain estimates and assumptions

that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and of the revenues and expenses during the reporting period. Significant estimates include the valuation of deferred income taxes, impairment evaluation of other intangible assets and long-lived assets, inventory valuation and product warranty reserves, the allowance for credit losses, and the fair value of assets acquired and liabilities assumed in business combinations. Actual results could differ from those estimates.

Comprehensive Income (Loss)

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

New Accounting Standards

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

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

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

3. DISCONTINUED OPERATIONS

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

On September 20, 2023, the Company sold certain assets of its Harris Flooring Group for the purchase

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

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

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

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

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

	February 28, 2025	February 29, 2024
Prepaid expenses and other current assets	\$ -	\$ 693
Current assets	<u>\$ -</u>	<u>\$ 693</u>
	February 28, 2025	February 29, 2024
Accrued liabilities	\$ -	\$ 479
Current liabilities	<u>\$ -</u>	<u>\$ 479</u>

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

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

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

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

4. SALE OF BUSINESS

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

5. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net income (loss), after deducting preferred stock dividends, by the weighted average number of shares of common stock outstanding. Diluted earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of

common and dilutive common stock equivalent shares outstanding. The Company did not pay a preferred stock dividend in any of the periods presented. There were no anti-dilutive common stock equivalent shares in the years ended February 28, 2025 and February 29, 2024.

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

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

6. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

7. INVENTORIES

Inventories consisted of the following (in thousands):

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

8. PROPERTY AND EQUIPMENT

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

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

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

9. LEASES

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

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

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

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

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

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

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

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

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

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

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

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

Lease term and discount rates are as follows:

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

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

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

10. INTANGIBLE ASSETS

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

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

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

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

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

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

11. DEBT

Debt consists of the following (in thousands):

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

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

Interest paid for all debt was \$0.3 million and \$1.6 million for the year ended February 28, 2025 and February 29, 2024, respectively.

General

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

On February 25, 2025, the Company received consent of its lending institution, Bank of America, N.A., to the sale its wholly owned subsidiary PRCI, S.A.S. and the dissolution of its Australian and New Zealand subsidiaries. The agreement waived certain covenants, released all claims on the divested assets, and approved the PRCI transaction under the Fifth Amended and Restated Loan and Security Agreement dated February 15, 2021.

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

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

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

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

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

Revolving Credit Facilities

The Company is allowed to borrow a maximum of \$65.0 million under the revolving credit facility based on a percentage of eligible North America accounts receivable and inventories. The interest rate applicable to the revolving credit facility is equal to a range of the Contract Rate associated with the borrowed currency plus 1.50% to 2.00% for advances with fixed maturities. The Contract Rate varies with fluctuations in money market conditions and may not be less than 0.0%.

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

At February 28, 2025, the interest rate under the North America revolving credit facility was 5.70%, the Company had borrowed \$0.1 million, and \$34.7 million was available for future borrowings, net of \$3.0 million in outstanding letters of credit and other reserves. At February 29, 2024, the interest rate under the North America revolving credit facility was 7.95%, the Company had borrowed \$0.6 million, and \$30.5 million was available for future borrowings, net of \$3.0 million in outstanding letters of credit and other reserves.

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

12. CONTINGENCIES

The Company is subject to federal, state and local laws, regulations and ordinances regarding water discharges, hazardous and solid waste management, air quality, and other environmental matters

(together, “Environmental Laws”). The Company also must obtain and comply with a wide variety of environmental registrations, licenses, permits, inspections and other approvals in conducting its operations (together, “Approval Requirements”). Failure to comply with Environmental Laws or Approval Requirements may expose the Company to significant fines and penalties.

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

Premix-Marbletite Manufacturing Co. (“Premix”), a subsidiary of the Company, is a co-defendant in 40 cases, where the plaintiffs are seeking unspecified damages due to injuries allegedly sustained as a result of exposure to products containing asbestos, which, in the case of Premix, were manufactured in excess of thirty years ago. Imperial Industries Inc. (“Imperial”), Premix’s parent company, is named as a co-defendant in 12 of those cases. Insurance carriers that provide umbrella/excess coverage for these pending cases have, under a reservation of rights, appointed outside counsel to represent and defend Premix and Imperial. These policies are not subject to a deductible or self-insured retention. Premix and Imperial believe that, based on past settlements and outcomes of asbestos cases, there should be adequate insurance coverage for these pending cases where the insurance carriers have appointed counsel to defend Premix and Imperial’s rights.

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

XPS Foam Limited Fire

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

Contractual obligations

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

13. EMPLOYEE BENEFIT PLANS

The Company and certain of its subsidiaries offer defined contribution benefit plans to employees. These plans provide for voluntary contributions by employees and matching contributions by the Company, subject to certain limitations. The Company made matching contributions totaling \$0.3 million in each of the years ended February 28, 2025 and February 29, 2024.

14. INCOME TAXES

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

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

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

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

Cash paid for income taxes in the years ended February 28, 2025 and February 29, 2024 was \$3.9 million and \$1.8 million, respectively.

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

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

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

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

The Company has gross net operating loss carry forwards principally from acquisitions of \$53.0 million that will begin to expire in 2027. Realization of these loss carry forwards is subject to limitation as a result of ownership changes. Accordingly, the Company has recorded a valuation allowance of \$12.3 million as it is unlikely that these losses will be utilized due to the limitation. The Company also has US foreign tax credit carry forwards of \$0.2 million that begin to expire in 2026, and \$3.0 million of capital loss carry forwards that begin to expire in 2029. The Company has established a full valuation allowance for the foreign tax credit carry forwards and the capital loss carry forwards because it may not be able to claim a benefit for these items in the future.

As of the end of fiscal year 2025, the Company has a valuation allowance of \$3.2 million for the deferred tax assets related to its operations in Canada. Management believes that it is more likely than not the benefit of these deferred tax assets will not be realized due to the incurred and expected losses for its operations in Canada. The Company has \$11.7 million of Canadian gross net operating loss carry forwards that will begin to expire in 2036.

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

	February 28, 2025	February 29, 2024
Unrecognized tax benefits, beginning of year	\$ 312	\$ 388
Additions based on tax position related to current year	131	-
Reductions for tax positions of prior years	(91)	(76)
Unrecognized tax benefits, end of year	<u>\$ 352</u>	<u>\$ 312</u>

The Company is subject to income taxes in US federal and state jurisdictions, and in various foreign jurisdictions. Tax regulations within each jurisdiction are subject to interpretation of the related tax laws and regulations and require significant judgment to apply. The Company is not subject to US federal income tax examinations by tax authorities for the year ended February 28, 2021, and prior years

15. SIGNIFICANT CUSTOMER AND VENDOR INFORMATION

The Company's customer base includes a concentration of home improvement retailers in each of its primary markets. One such customer accounted for approximately 68% and 66% of net sales from continuing operations in the years ended February 28, 2025 and February 29, 2024, respectively, and approximately 70% and 68% of accounts receivable at February 28, 2025 and February 29, 2024, respectively.

The Company has multiple sources of supply for nearly all raw materials and finished products purchased from suppliers. One supplier accounted for approximately 15% of such purchases from continuing operations. Certain raw materials representing less than 10% of purchases are available only from a single supplier or a limited number of suppliers. The inability to obtain components and products as required, or to develop alternative sources, if and as required in the future, could result in delays or reductions in product shipments, which in turn could have an adverse effect on the Company's business, financial condition, and results of operations.

16. SHAREHOLDERS EQUITY

Common Stock

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

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

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

Preferred Stock

Series A

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

The Company may redeem any or all of the shares of Series A Preferred Stock at a price per share of \$1.00 plus an amount equal to any accrued but unpaid dividends. The Series A Preferred Stock has no voting rights, but does have a liquidation preference equal to \$1.00 plus accrued and unpaid dividends. At February 28, 2025 and February 29, 2024 there were no outstanding shares of Series A Preferred Stock.

Series B

1,000,000 of the Company's 2,500,000 authorized shares of preferred stock, \$1 par value per share, are designated as Series B Preferred Stock. The holder of each share of Series B Preferred Stock is entitled to

receive a non-cumulative dividend at the rate of \$0.05 per share per annum, payable annually, before any dividend on the common stock. The Company may redeem any or all of the shares of Series B Preferred Stock at a price per share of \$1.00. The Series B Preferred Stock has no voting rights. At February 28, 2025 and February 29, 2024 there were no outstanding shares of Series B preferred stock.

Series C

1,000,000 of the Company's 2,500,000 authorized shares of preferred stock, \$1 par value per share, are designated as Series C Preferred Stock. The holder of each share of Series C Preferred Stock is entitled to receive, before any dividends on the Company's common stock, cumulative dividends at the rate of \$0.035 per share per annum, payable in annual installments. The Series C Preferred Stock has no voting rights, but does have a liquidation preference equal to \$1.00 plus accrued and unpaid dividends. At February 28, 2025 and February 29, 2024 there were no outstanding shares of Series C preferred stock.

Treasury Stock

The Company has purchased from time to time shares of its common stock to be held in treasury. At February 28, 2025 the number of shares held in treasury was 750,037 at an aggregate cost of \$10.4 million. In fiscal year 2025, the Company purchased 30,547 shares of common stock at an aggregate cost of \$0.9 million. In fiscal year 2024, the Company purchased 7,000 shares of common stock at an aggregate cost of \$0.1 million. The Company has a formal purchase plan pursuant to which the Company may currently purchase up to \$1.0 million per year of additional shares of common stock on the open market or in privately negotiated transactions.

17. STOCK PLANS

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

In June 2020, the Board of Directors approved the granting of an option to purchase up to 15,000 shares of the Company's common stock at an exercise price of \$9.30 per share to the Company's President & Chief Executive Officer. The stock options fully vested on the date of grant and expire five years from the date of grant. Subsequent to the stock dividend, the option to purchase increased to 15,750 shares at an exercise price of \$8.86 per share. At February 29, 2024 the options were outstanding.

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

In December 2023, the company granted 15,000 fully vested shares of restricted stock to its nonemployee directors, fully vested on the date of grant. The fair value of the shares was \$17.74 per share at the date of grant. In March 2023, the Company granted 15,000 fully vested shares of restricted common stock to its non-employee directors, fully vested on the date of grant. The fair value of the shares was \$12.35 per share at the date of grant. Until vested, the restricted shares cannot be transferred and have no rights to vote or receive dividends. There was no unamortized compensation expense at February 28, 2025 and February 29, 2024.

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

18. RELATED PARTY TRANSACTIONS

During fiscal years 2025 and 2024, the Company employed certain individuals who are related to the Company's Executive Chairman or the President & Chief Executive Officer. These individuals were paid a

total of \$0.5 million and \$0.4 million in the years ended February 28, 2025 and February 29, 2024. Pursuant to a Board resolution the Company may repurchase up to \$240,000 per annum of shares of its outstanding common stock from one of these individuals at a price per share equal to the closing price of the common stock on the date of repurchase. Pursuant to this resolution, the Company repurchased 6,000 shares in the year ended February 28, 2025, at a cost of \$0.2 million, and did not repurchase any shares in the year ended February 29, 2024.

19. SUBSEQUENT EVENTS

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

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