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

Consolidated Financial Statements
For the Years Ended February 28, 2019 and February 28, 2018

C O N T E N T S

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated financial statements of Q.E.P. Co., Inc. (a Florida corporation) and subsidiaries, which comprise the consolidated balance sheets as of February 28, 2019 and February 28, 2018, and the related consolidated statements of earnings, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Q.E.P. Co., Inc. and subsidiaries as of February 28, 2019 and February 28, 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Fort Lauderdale, Florida
July 29, 2019

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

	February 28, 2019	February 28, 2018
ASSETS		
Cash	$ 6,467	$ 16,134
Accounts receivable, less allowance for doubtful accounts of $751 and $371 as of February 28, 2019 and February 28, 2018, respectively	53,295	41,443
Inventories	91,684	48,276
Prepaid expenses and other current assets	7,360	6,578
Current assets	**158,806**	**112,431**
Property and equipment, net	16,695	10,923
Deferred income taxes, net	3,271	2,154
Intangibles, net	16,815	11,442
Goodwill	6,140	3,308
Other assets	1,056	834
Total Assets	**$ 202,783**	**$ 141,092**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	$ 36,611	$ 22,350
Accrued liabilities	29,358	17,433
Income taxes payable (prepaid)	(2,217)	(1,600)
Lines of credit	49,398	18,470
Current maturities of notes payable	1,733	857
Current liabilities	**114,883**	**57,510**
Notes payable	11,101	1,929
Deferred income taxes	193	282
Other long term liabilities	1,084	802
Total Liabilities	**127,261**	**60,523**
Preferred stock, 2,500 shares authorized, $1.00 par value; 0 shares issued and outstanding at February 28, 2019 and February 28, 2018, respectively	-	-
Common stock, 20,000 shares authorized, $.001 par value; 3,821 shares issued, and 3,142 and 3,183 shares outstanding at February 28, 2019 and February 28, 2018, respectively	4	4
Additional paid-in capital	10,963	10,854
Retained earnings	77,029	80,049
Treasury stock, 679 and 638 shares held at cost at February 28, 2019 and February 28, 2018, respectively	(8,700)	(7,557)
Accumulated other comprehensive income	(3,774)	(2,781)
Shareholders' Equity	**75,522**	**80,569**
Total Liabilities and Shareholders' Equity	**$ 202,783**	**$ 141,092**

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

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

	For the Year Ended February 28, 2019	For the Year Ended February 28, 2018
Net sales	$ 379,402	$ 322,388
Cost of goods sold	278,798	232,930
Gross profit	**100,604**	**89,458**
Operating expenses:		
Shipping	37,923	28,550
General and administrative	40,970	28,569
Selling and marketing	28,209	23,155
Gain on disposal of long-lived assets, net of impairment	142	(5,561)
Other income, net	(823)	(477)
Total operating expenses	106,421	74,236
Operating income	**(5,817)**	**15,222**
Non-operating income	3,414	-
Interest expense, net	(1,567)	(952)
Income (loss) before provision for income taxes	**(3,970)**	**14,270**
Provision (benefit) for income taxes	(950)	6,325
Net income (loss)	**$ (3,020)**	**$ 7,945**
Earnings per share:		
Basic	$ (0.95)	$ 2.49
Diluted	$ (0.95)	$ 2.49
Weighted average number of common shares outstanding:		
Basic	3,179	3,194
Diluted	3,181	3,196

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

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

	For the Year Ended February 28, 2019	For the Year Ended February 28, 2018
Net income (loss)	$ (3,020)	$ 7,945
Unrealized currency translation adjustments	(993)	1,167
Comprehensive income (loss)	**$ (4,013)**	**$ 9,112**

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, 2019	February 28, 2018
Operating activities:		
Net income (loss)	$ (3,020)	$ 7,945
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of business	(3,415)	-
Gain on sale of property	(96)	(6,793)
Impairment loss on long term assets	238	1,231
Depreciation and amortization	4,728	3,837
Other non-cash adjustments	281	244
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(2,457)	(1,624)
Inventories	(15,141)	(3,500)
Prepaid expenses and other assets	(2,253)	2,773
Trade accounts payable and accrued liabilities	8,161	1,474
Net cash provided (used in) by operating activities	**(12,974)**	**5,587**
Investing activities:		
Acquisitions	(39,075)	(3,899)
Capital expenditures	(8,206)	(3,862)
Proceeds from sale of business	9,350	97
Proceeds from sale of property	599	12,381
Proceeds from insurance settlements	-	252
Net cash provided by (used in) investing activities	**(37,332)**	**4,969**
Financing activities:		
Net borrowings (repayment) under lines of credit	31,805	(2,227)
Net borrowings (repayments) of notes payable	10,036	(8,113)
Purchase of treasury stock	(1,121)	(120)
Dividends	-	(3,204)
Redemption of preferred shares	-	(18)
Net cash provided (used in) financing activities	**40,720**	**(13,682)**
Effect of exchange rate changes on cash	(81)	108
Net decrease in cash	**(9,667)**	**(3,018)**
Cash at beginning of period	16,134	19,152
Cash at end of period	**$ 6,467**	**$ 16,134**

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

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

	Preferred Stock		Common Stock		Paid-in	Retained	Treasury	Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Shares	Amount	Capital	Earnings	Stock	Income	Equity
Balance at February 29, 2017	**17,500**	**$ 18**	**3,820,785**	**$ 4**	**$ 10,796**	**$ 75,308**	**$ (7,406)**	**$ (3,948)**	**$ 74,772**
Net income						7,945			7,945
Other comprehensive income								1,167	1,167
Purchase of treasury stock							(151)		(151)
Stock-based compensation expense					58				58
Dividends paid						(3,204)			(3,204)
Preferred Stock redeemed	(17,500)	(18)							(18)
Balance at February 28, 2018	**-**	**$ -**	**3,820,785**	**$ 4**	**$ 10,854**	**$ 80,049**	**$ (7,557)**	**$ (2,781)**	**$ 80,569**
Net income (loss)						(3,020)			(3,020)
Other comprehensive income (loss)								(993)	(993)
Purchase of treasury stock							(1,143)		(1,143)
Stock-based compensation expense					109				109
Balance at February 28, 2019	**-**	**$ -**	**3,820,785**	**$ 4**	**$ 10,963**	**$ 77,029**	**$ (8,700)**	**$ (3,774)**	**$ 75,522**

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

Q.E.P. Co., Inc., founded in 1979, is a world class, worldwide provider of innovative, quality and value-driven flooring and industrial solutions. As a leading manufacturer, marketer and distributor, QEP delivers a comprehensive line of hard surface flooring and carpet tile, flooring installation tools, adhesives and flooring related products targeted for the professional installer as well as the do-it-yourselfer. In addition, the Company provides industrial tools with cutting edge technology to the industrial trades. Under brand names including QEP®, ROBERTS®, Capitol®, Harris®Wood, Kraus®, Naturally Aged Flooring®, Fausfloor®, Vitrex®, Homelux®, TileRite®, PRCI®, Plasplugs®, Porta-Nails®, Tomecanic®, Bénètiere®, Elastiment®, X-TREME Board™ and AppleCreek™, the Company sells its products to home improvement retail centers, specialty distribution outlets, municipalities and industrial solution providers in 50 states and throughout the world.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Accounts and Notes Receivable

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

The Company's notes receivable are initially recognized at fair value. The Company does not subsequently adjust the fair value of these notes receivable unless it is determined that the note receivable is impaired. As with its accounts receivable allowance, the Company considers the issuer's financial condition, payment history, and other relevant factors when assessing the collectability of the note and reserves a portion of such note for which collection does not appear likely. Interest income is recognized as earned.

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 in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Leasehold improvements are amortized over their expected useful life or the remaining life of the respective lease, whichever is shorter.

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

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

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

Impairment of Long-Lived Assets

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

Income Taxes

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

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

Intangible Assets

The Company evaluates goodwill and indefinite lived intangibles for impairment annually or whenever events or circumstances indicate that the fair value of a reporting unit may not exceed its carrying amount, including goodwill. The Company amortizes the cost of other intangibles over their estimated useful lives and tests such items for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If the Company determines that an intangible asset is impaired, it is written down to its fair value. The Company determined that there was no impairment of intangible assets during its fiscal years 2019 and 2018.

In January 2017, the FASB released ASU 2017-04, “Intangibles—Goodwill and Other (Topic 350),” which simplifies the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. An impairment of goodwill will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The new guidance is effective for public business entities in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted for impairment tests performed after January 1, 2017. The adoption of this guidance by the Company in fiscal year 2018 did not have a material impact on its consolidated financial statements.

In January 2017, the FASB released ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business,” which revises the definition of a business and affects areas such as acquisition accounting, disposals, goodwill impairment, and consolidation. When substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance is effective for public business entities in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted. The adoption of this guidance by the Company in fiscal year 2018 did not have a material impact on its consolidated financial statements.

Leases

Under ASC 840, “Leases”, effective for QEP through February 28, 2019, leases that meet relevant criteria are classified as capital leases. For such leases, assets and obligations are recorded initially at the present value of the contractual lease payments. The capitalized leases are amortized using the straight-line method over the shorter of the assets’ estimated economic lives or the term of the lease. Interest expense relating to the lease liabilities is recorded to effect a constant rate of interest over the terms of the obligations. Leases not meeting capitalization criteria are classified as operating leases and related rentals are charged to expense on a straight-line basis.

Earnings Per Share

Basic earnings per share are computed based on weighted average shares outstanding during the period. Diluted earnings per share are computed using the weighted average number of common and dilutive common stock equivalent shares outstanding during the period. Dilutive common stock equivalent shares consist of the dilutive effect of stock option and restricted stock awards.

Fair Value of Financial Instruments

The carrying amount of financial instruments, including cash, accounts receivable, 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 $0.6 million and a gain of $0.3 million in fiscal year 2019 and 2018, respectively.

Revenue Recognition

Sales are recognized when title to merchandise has passed to the customer, the selling price is fixed and determinable, and collectability of the sales price is reasonably assured. The Company establishes reserves for returns and allowances based on current and historical information and trends. Net sales have been reduced by such amounts. Taxes collected from customers and remitted to governmental authorities are excluded from revenues.

On March 1, 2018, the Company adopted the new accounting standard, ASC 606, Revenue from Contracts with Customers and the related amendments (“ASC 606”) and applied the provisions of the standard to all contracts using the modified retrospective approach method. The necessary processes under the new guidance were either already in place, or changes were implemented for the end of fiscal year 2018. Therefore, there was no adjustment recorded to the opening balance of retained earnings. Substantially all the Company’s revenue is recognized at a point in time when the product is either shipped or received from the Company’s facilities and control of the product is transferred to the customer. The adoption of ASC 606 did not have a material impact on the amounts reported in the Company’s consolidated financial position, results of operations or cash flows.

Shipping Costs

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 $7.5 million and $7.3 million for the years ended February 28, 2019 and February 28, 2018, respectively. In return, the Company’s products are advertised in various forms of media on a local, regional or national level. The Company’s products are also displayed on in-store signage and the Company receives the benefit of advertising its products directly to professional contractors. The Company is not able to reasonably estimate the fair value of the benefit received under these arrangements. Accordingly, the Company accounts for these promotional funds as a reduction to the selling price and the costs are included in net sales.

Advertising costs are expensed as incurred and totaled $1.2 million and $1.0 million for fiscal year 2019 and 2018, respectively. These costs are recorded in selling and marketing expenses and primarily consist of advertising through direct media and in trade publications.

Warranty Costs

The Company provides for estimated product warranty expenses when it sells the related product. Since warranty estimates are forecasts that are based on the best available information, mostly historical claims experience, the claims costs may differ from amounts provided. A warranty accrual of approximately $1.3 million was recorded as of February 28, 2019 and $0.4 million as of February 28, 2018. This accrual represent management's best estimate of its probable future liability for warranty claims related to its products, including wood, laminate, adhesives, and tools, based on a lag analysis of historical warranty claims made and paid.

Use of Estimates

In preparing financial statements, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and of the revenues and expenses during the reporting period. Significant estimates include the valuation of deferred income taxes and intangibles, inventory valuation and product warranty reserves, the allowance for doubtful accounts, and the fair value of assets acquired and liabilities assumed in business combinations. Actual results could differ from those estimates.

Comprehensive Income

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

New Accounting Standards

In August 2016, the FASB released ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which provides specific classification guidance relating to debt prepayment or extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, and other specific scenarios. The guidance is effective for public business entities in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted. The new guidance should be applied on a retrospective basis. The adoption of this guidance by the Company in fiscal year 2019 did not have a material impact on its Statement of Cash Flows.

In November 2016, the FASB released ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash," which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities will also be required to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. The new guidance is effective for public business entities in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted. The new guidance should be applied on a retrospective basis. The adoption of this guidance by the Company in fiscal year 2019 did not have a material impact on its Statement of Cash Flows.

In February 2016, the FASB released ASU 2016-02, "Leases (Topic 842)." The guidance, and subsequent amendments issued, requires a lessee to recognize lease assets and lease liabilities that arise from a lease agreement. The new standard is effective for interim and annual periods beginning after December 15,

2018. The Company will adopt this standard effective March 1, 2019 under a modified retrospective approach using the effective date as the date of initial application. Financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before March 1, 2019. The new standard provides a number of optional practical expedients in transition. The company elected the 'package of practical expedients', which permits not to reassess under the new standard prior conclusions about lease identification, lease classification and initial direct costs. The company will not elect the use-of-hindsight or the practical expedient pertaining to land easements; the latter not being applicable. Additionally, the company elected ongoing practical expedients including the option to not recognize right of use asset or lease liabilities for leases with terms shorter than twelve months. The Company expects the adoption will result in recognition of right-of-use assets and lease liabilities on its Consolidated Balance Sheets of its equipment, and real estate leases. The Company is assessing what impacts this new standard will have on its financial statements.

In February 2018, the FASB released 2018-02 "Income Statement—Reporting Comprehensive Income (Topic 220)", which allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. Companies may adopt the new guidance using either a retrospective approach to each period in which the income tax effects of the 2017 Act related to items remaining in accumulated other comprehensive income are recognized, or at the beginning of the period of adoption. The new guidance is effective for public business entities in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is assessing what impacts this new standard will have on its financial statements.

In August 2018, the FASB released ASU 2017-12, "Derivatives and Hedging (Top 815): Targeted Improvements to Accounting for Hedging Activities," which expands the eligibility of hedging strategies for hedge accounting, amends presentation and disclosure requirements, and changes the effectiveness assessment. The new guidance is effective for public business entities in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In August 2018, the FASB released 2018-15 "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract", which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This guidance can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The new guidance is effective for public business entities in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is assessing what impacts this new standard will have on its financial statements.

In June 2016, the FASB released ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326)," which introduces new guidance for the accounting for credit losses. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model. The new guidance is effective for public business entities in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted for all entities. The Company is assessing what impacts this new standard will have on its financial statements.

3. ACQUISITIONS AND SALE OF BUSINESS

Acquisitions

During the fiscal year ended February 28, 2019 the Company made investments totaling $40.9 million for the acquisition of three businesses.

On April 3, 2018, the Company acquired certain assets of PR Floors Pty Ltd ("PR Floors"), an Australian registered company for $3.8 million, through an asset purchase agreement. PR Floors is a wholesale flooring distribution company that provides a wide range of branded flooring products, underlays, marine sealants and accessories as well as one of the most extensive ranges of flooring tools and accessories in the country. This acquisition expands the Company's distribution base of flooring in Australia and New Zealand.

On May 1, 2018, the Company acquired certain assets and assumed certain liabilities of Ace Floor Co., Inc., d/b/a Naturally Aged Flooring ("NAF") for $12.3 million, through an asset purchase agreement. Naturally Aged Flooring is a hardwood flooring importer and distributor with over 30 years of history in the industry. This acquisition expanded the Company's sales distribution channels and its presence in wood flooring market.

On October 5, 2018, the Company acquired certain assets and assumed certain liabilities of the hard surface and carpet tile distribution business of The Kraus Group of Companies ("Kraus") for $24.8 million, through an asset purchase agreement. Kraus is a distributor of high-quality flooring products including modular tile, hardwood, laminate and luxury vinyl, with presence in the US and Canada. This acquisition expanded the Company's sales distribution channels and its presence in the wood flooring market.

The acquisitions of certain net assets of PR Floors, NAF and Kraus were accounted for as business combinations; accordingly, the results have been included in the Company's consolidated results of operations as part of its Australia/ New Zealand and North America segments since the acquisition date. The purchase price of the acquired businesses was allocated based on the fair value of the assets acquired and liabilities assumed.

A summary of the aggregate fair values of assets acquired and liabilities assumed in connection with the businesses acquired during the fiscal year ended February 28, 2019 follows (in thousands):

	PR Floors		NAF		Kraus	
Consideration paid	$	3,776	$	12,273	$	24,812
Less: Fair value of assets acquired:						
Accounts receivable		-		2,509		9,658
Inventories		2,116		3,822		25,329
Property and equipment		729		230		899
Identifiable intangible assets		1,062		6,049		1,955
Other assets		11		403		353
		(142)		(740)		(13,382)
Plus: Fair value of trade accounts payable and accrued liabilites assumed		142		3,681		13,382
Goodwill	$	-	$	2,941	$	-

The acquired intangibles relate to tradenames and customer relationships, non-compete agreements and favorable lease interest and are being amortized over a period of 10 years and 5 years, 4 years and 1.5 years respectively. The excess of the purchase price over the fair value of net assets acquired was recorded as goodwill in the accompanying balance sheets. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of the acquired entities. The goodwill is deductible for income tax purposes over a fifteen year period.

The following unaudited pro forma information summarizes the consolidated results of operations for the fiscal years ended February 28, 2019 and February 28, 2018, as if the acquisitions had been completed as of March 1, 2017:

	Year Ended (Unaudited)			
	February 28, 2019		February 28, 2018	
Net sales	$	426,794	$	454,278
Operating Income (Loss)	$	(10,355)	$	8,533

The unaudited pro-forma combined results of operations do not reflect sales increases and cost reductions achieved expected to be realized in connection with the acquisitions. Accordingly, these pro-forma amounts do not purport to be indicative of the results that would have actually been obtained if these acquisitions had occurred as of March 1, 2017 or that may be obtained in the future.

Included in the Company’s consolidated results of operations are net sales totaling $66.6 million and operating losses of approximately $4.5 million from the acquired businesses since their respective acquisition dates for the year ended February 28, 2019.

During fiscal year 2019, the Company recognized $1.7 million of acquisition related expenses in general and administrative expenses.

On March 2, 2017, the Company acquired AC Products Co. (“AC Products”) for $1.0 million, net of cash acquired, in an equity purchase transaction. AC Products is a manufacturer of ceramic bath accessories. This acquisition expanded the Company’s variety of product lines and its selling channels in North America. In connection with this acquisition, the Company acquired related operating property, including land and building for $1.5 million.

On April 26, 2017, the Company acquired from GCP Applied Technologies Inc. certain of the U.S. based assets and liabilities utilized in their manufacturing and distribution of tack strip and underlayment flooring products, for $3.1 million, net of cash acquired ("GCP"). This acquisition expanded the Company's existing product lines and its distribution channels in North America.

The acquisitions of the tackstrip and underlayment business and AC Products were accounted for as business combinations; accordingly, the results have been included in the Company's consolidated results of operations as part of its North America segment since the acquisition date. The purchase price of the acquired businesses was allocated based on the fair value of the assets acquired and liabilities assumed.

A summary of the aggregate fair values of assets acquired and liabilities assumed in connection with the business acquired during the fiscal year ended February 28, 2018 follows (in thousands):

	AC Products	GCP
Consideration paid, net of cash acquired	$ 1,025	$ 3,087
Less: Fair value of assets acquired:		
Accounts receivable	214	-
Inventories	551	2,108
Property and equipment	328	399
Identifiable intangible assets	141	593
Other assets	3	38
	(212)	(51)
Plus: Fair value of trade accounts payable and accrued liabilites assumed	212	367
Goodwill	$ -	$ 316

The acquired intangibles relate to a tradename and customer relationships, and are being amortized over a period of 10 years and 5 years, respectively. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of the acquired entities. The goodwill is deductible for income tax purposes over a fifteen year period.

Sale of Business

On February 8, 2019, the Company sold net assets of its striking tool product lines ("Nupla and Hisco") which were previously part of the North America segment. The purchase price was $9.3 million. The transaction included all accounts receivable, inventory, equipment and intangible assets needed to produce Nupla and Hisco products. The purchaser assumed two facility leases, certain equipment leases, and identified accounts payable and accrued expenses. In addition, the majority of employees working in the Nupla and Hisco business were transferred to the purchaser. The total assets transferred to and liabilities assumed by the purchaser were $6.3 million and $0.4 million, respectively. A gain of $3.4 million is recorded in non-operating income.

4. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income, after deducting preferred stock dividends, by the weighted average number of shares of common stock outstanding. Diluted earnings per share is computed by dividing net income, after deducting preferred stock dividends, by the weighted average number of shares of common and dilutive common stock equivalent shares outstanding. The amount of preferred stock dividends is immaterial in all periods presented. There were no anti-dilutive common stock equivalent shares in fiscal year 2019 or 2018.

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

	Year Ended	
	February 28, 2019	February 28, 2018
Weighted average number of common shares outstanding - basic	3,179	3,194
Dilution from stock options and restricted stock	2	2
Weighted average number of common shares outstanding - diluted	3,181	3,196

5. SEGMENT INFORMATION

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

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

Segment results were as follows (in thousands):

	Year Ended February 28, 2019	Year Ended February 28, 2018
Net sales:		
North America	$ 285,227	$ 230,477
Europe	38,885	42,194
Australia/New Zealand	55,290	49,717
Total	$ 379,402	$ 322,388
Operating income (loss):		
North America	$ (5,509)	$ 13,172
Europe	566	992
Australia/New Zealand	(874)	1,058
Total	$ (5,817)	$ 15,222
Depreciation and amortization:		
North America	$ 2,903	$ 2,348
Europe	1,406	1,404
Australia/New Zealand	419	85
Total	$ 4,728	$ 3,837
Capital expenditures:		
North America	$ 7,962	$ 3,451
Europe	149	271
Australia/New Zealand	95	140
Total	$ 8,206	$ 3,862

Total assets:	February 28, 2019	February 28, 2018
North America	$ 150,912	$ 93,939
Europe	31,995	34,819
Australia/New Zealand	19,876	12,334
Total	$ 202,783	$ 141,092

At February 28, 2019 and February 28, 2018, total assets included $39.7 million and $25.7 million, respectively, of net property and equipment and net intangibles, including $26.7 million and $12.2 million, respectively, located in the North America segment; $11.3 million and $13.1 million, respectively, located in the Europe segment; and $1.7 million and $0.4 million, respectively, located in the Australia/New Zealand segment.

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

6. INVENTORIES

Inventories consisted of the following (in thousands):

	February 28, 2019	February 28, 2018
Finished goods	$ 82,575	$ 36,521
Raw materials and work-in-process	9,109	11,755
Total inventory, net	$ 91,684	$ 48,276

7. PROPERTY AND EQUIPMENT

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

	February 28, 2019	February 28, 2018
Machinery and warehouse equipment	$ 20,485	$ 21,121
Building and leasehold improvements	10,480	5,801
Office furniture, equipment and computer equipment	9,295	8,437
	40,260	35,359
Less: Accumulated depreciation and amortization	(23,565)	(24,436)
Property and equipment, net	$ 16,695	$ 10,923

Depreciation expense of property and equipment was $2.6 million in each fiscal years 2019 and 2018. Amortization of assets recorded under capital leases is included in depreciation expense.

During fiscal 2018 the Company sold land and building with a carrying value of $7.1 million relating to its laminate flooring production facility in Calhoun, Georgia, recording a gain on sale through operating income of $3.9 million. The Company recorded an impairment charge of $1.2 million on the disposal of laminate flooring production assets through operating income.

During fiscal 2018 the Company sold land and building with a carrying value of $1.2 million in Adelanto, California, recording a gain on sale through operating income of $2.8 million. The Company received a $2.8 million note in connection with the Adelanto sale. At February 28, 2019, the note had an outstanding principal of $2.6 million that bears interest at an annual fixed rate of 9.75%, requires monthly principal payment of less than $0.1 million and matures on February 28, 2020.

8. INTANGIBLE ASSETS

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

	Gross Carrying Amount of Goodwill			
	Total	North America	Europe	Australia/ New Zealand
Balance, February 28, 2017	2,745	787	1,958	-
Acquisitions:				
GCP	316	316	-	-
AC Products Co.	-	-	-	-
Unrealized currency translation adjustments	247	25	222	-
Balance, February 28, 2018	3,308	1,128	2,180	-
Acquisitions:				
NAF	2,941	2,941	-	-
Unrealized currency translation adjustments	(109)	(22)	(87)	-
Balance, February 28, 2019	6,140	4,047	2,093	-

	Gross Carrying Amounts				
	Total	Supply Agreements	Trade-marks	Customer Lists	Other Intangibles
Balance, February 28, 2017	17,707	8,453	6,744	2,510	-
Acquisitions:					
GCP	593	-	347	246	-
AC Products Co.	141		101	40	-
Unrealized currency translation adjustments	1,476	960	286	230	-
Balance, February 28, 2018	19,917	9,413	7,478	3,026	-
Acquisitions:					
PR Floors	1,062	-	327	668	67
NAF	6,049	-	2,402	3,404	243
Kraus	1,955	-	1,652	-	303
Sale:					
Nupla	(1,870)	-	(1,383)	(487)	-
Unrealized currency translation adjustments	(651)	(379)	(141)	(125)	(6)
Balance, February 28, 2019	26,462	9,034	10,335	6,486	607

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

	Remaining Weighted Average Useful Life	February 28, 2019			February 28, 2018		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademarks	8	$ 10,335	$ (3,911)	$ 6,424	$ 7,478	$ (3,722)	$ 3,756
Supply agreement	9	9,034	(3,614)	5,420	9,413	(3,138)	6,275
Customer lists	6	6,486	(1,983)	4,503	3,026	(1,615)	1,411
Other intangibles	2	607	(139)	468	-	-	-
		$ 26,462	$ (9,647)	$ 16,815	$ 19,917	$ (8,475)	$ 11,442

Amortization expense related to intangible assets was $2.2 million and $1.3 million in fiscal years 2019 and 2018, respectively. Estimated amortization expense for each of the fiscal years in the five year period ending in February 2024 is $2.4 million for 2020, $2.1 million for 2021, $2.0 million for 2022, $1.8 million for 2023, $1.6 million for 2024, and $7.0 million thereafter.

9. DEBT

Debt consists of the following (in thousands):

	February 28, 2019	February 28, 2018
Lines of Credit:		
North America revolving credit facility	$ 47,501	$ 17,340
International credit facilities	1,897	1,130
	$ 49,398	$ 18,470
Notes Payable:		
Term loan facilities	$ 12,834	$ 2,786
Less current installments	1,733	857
	$ 11,101	$ 1,929

The aggregate maturities of notes payable for each of the fiscal years in the five year period ending in February 2024 are as follows: $1.7 million in 2020, $3.1 million in 2021, $4.1 million in 2022, $1.2 million in 2023 and $2.6 million in 2024.

Interest paid for all debt was $1.6 million in fiscal year 2019 and $1.0 million in fiscal year 2018.

General

The Company determined that as a result of the fourth quarter operating loss, it would be in breach of certain financial covenants under its North America revolving credit facility as of February 28, 2019. This breach would constitute an event of default under the revolving credit facility, as well as a certain international facility. Unless waived by the lenders, the lenders have the right to prohibit additional borrowings under the facilities, accelerate the Company's indebtedness and take other actions provided for in each of the credit facilities. On July 26, 2019, the Company and the lenders amended the loan agreement to waive the event of default and reset future covenant targets. Significant other terms and conditions of the loan agreement remain substantially unchanged.

North America Revolving Credit Facility

The Company has a loan agreement with a domestic financial institution to provide an asset based revolving credit facility, term loans and mortgage financing. The Company is allowed to borrow a maximum of $85.0 million under the revolving credit facility based on a percentage of eligible accounts receivable and inventories. The interest rate applicable to the revolving credit facility is equal to a range of the Libor rate associated with the borrowed currency plus 1.50% to 2.00% for advances with fixed maturities or to a range of the Base Rate associated with the borrowed currency plus 0.50% to 1.00% for all other advances. The Base Rate varies with fluctuations in money market conditions and the interest rate on Base Rate advances is equal to or higher than the interest rate on advances with fixed maturities.

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

In connection with the Kraus acquisition, on October 5, 2018 the Company amended its loan agreement with the domestic financial institution to increase the amount available under the revolving credit facility, reduce the range of each of the interest rates, provide FILO Loans up to a maximum of $7.5 million that amortize on a quarterly basis over three years commencing June 2019, modified advance rates on eligible inventories and extended the maturity of the loan agreement from June 2020 to October 2023, with all other material terms in the agreement remaining the same.

At February 28, 2019, the interest rate under the revolving credit facility was Libor ranged from 2.48% to 7.5%, the Company had borrowed $52.8 million and $15.5 million was available for future borrowings, net of $1.2 million in an outstanding letter of credit and other reserves. At February 28, 2018, the interest rate under the revolving credit facility ranged from 2.29% to 3.39%, the Company had borrowed $17.3 million in foreign currencies and $14.7 million was available for future borrowings, net of $0.2 million in outstanding letters of credit.

International Credit Facilities

The Company's U.K. subsidiary has an asset based revolving credit facility with a domestic financial institution that allows the subsidiary to borrow up to $3.3 million against a percentage of eligible accounts receivable and inventories. The facility has an interest rate and term that varies with the interest rate and term of the Company's domestic revolving credit facility. This agreement is collateralized by substantially all of the subsidiary's assets and is guaranteed by the Company. The agreement prohibits the subsidiary from incurring certain additional indebtedness, limits certain investments, advances or loans, restricts substantial asset sales and certain capital expenditures, and prohibits the payment of dividends. At February 28, 2019, the interest rate under the agreement was the financial institution's Sterling Reference Rate (0.75% at February 28, 2019) plus 0.75%, the subsidiary had no borrowings under the facility and $3.3 million was available for future borrowing. At February 28, 2018, the interest rate under the agreement was the financial institution's Sterling Reference Rate (0.50% at February 28, 2018) plus 0.75%, the subsidiary had no borrowings under the facility and $3.2 million was available for future borrowing.

The Company's Australian subsidiary has a revolving credit facility with an Australian financial institution that, as amended in September 2018, provides the subsidiary with advances of up to AUD 4.5 million ($3.2 million). The interest rate applicable to the facility is equal to the financial institution's Business Lending Rate (3.8% at February 28, 2019) plus 2.2% and (3.6% at February 28, 2018) plus 2.2%. The subsidiary's obligations under the facility are collateralized by substantially all of the subsidiary's assets and the Australian financial institution is indemnified against loss by the Company. The facility expires in October 2019. The subsidiary had borrowed $1.9 million under the facility at February 28, 2019 and $1.1 million at February 28, 2018.

The Company's French subsidiary has lines of credit with two French financial institutions that, as amended through March 2016, allow it to borrow an aggregate of €1.0 million ($1.1 million), including €0.5 million against drafts presented for future settlement in payment of the subsidiary's accounts receivable and €0.5 million in working capital advances. As of February 28, 2019, the facilities bear interest at the Euro Interbank Offered Rate (minus 0.37% at February 28, 2019 and minus 0.33% at February 28, 2018) plus a range of 0.65% to 0.85%. The subsidiary had no borrowings under the facility at February 28, 2019 and at February 28, 2018.

Term Loan Facilities

The Company has a term loan under its domestic credit facility (the "2010 Term Loan") that bears interest equal to, at the option of the Company, the US Dollar Libor rate or the US dollar Base Rate interest rates applicable to the revolving credit facility. The facility has a term that varies with the term of the loan agreement and requires quarterly payment of principal of $0.2 million with a balloon payment upon maturity. During fiscal year 2019, The Company borrowed an additional $3.9 million under this facility. The outstanding balance of the 2010 Term Loan was $5.8 million at February 28, 2019 and $2.8 million at February 28, 2018.

During fiscal 2019, the Company's Australian subsidiary borrowed AUD 2.6 million ($1.9 million) in a term loan through the expansion of its existing credit facility. The term loan bears interest equal to the rate applicable to its revolving credit facility and will expire September 2023. The Australia Term Loan requires quarterly payments of principal of AUD 0.1 million. The outstanding balance of the Australia Term loan was $1.8 million at February 28, 2019. As of February 28, 2019, the Company's Australian subsidiary was not in compliance with certain requirements related to its debt obligation. However, the financial institution has waived its right to any further action until the covenant is re-tested as of August 31, 2019.

Capital Lease Facilities

The Company had no outstanding balances under capital leases at February 28, 2019.

10. COMMITMENTS AND CONTINGENCIES

Future Minimum Obligations

Future minimum payments under non-cancelable operating leases are as follows for fiscal years ending after February 28, 2019 (in millions): $5.7 in 2020, $4.5 in 2021, $2.9 in 2022, $2.0 in 2023, $0.7 in 2024 and $2.4 thereafter.

Rent expense under non-cancelable operating leases totaled $5.5 million and $3.9 million in fiscal years 2019 and 2018.

Contingencies

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

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

Premix-Marbletite Manufacturing Co., a subsidiary of the Company, is a co-defendant in forty-one (41) cases where the plaintiffs are seeking unspecified damages due to injuries allegedly sustained as a result of exposure to products containing asbestos, which, in the case of Premix, were manufactured in excess of thirty years ago. Imperial Industries Inc., Premix's parent company, also is named as a co-defendant in twenty-one (21) of these cases. Insurance carriers that provide umbrella/excess coverage for these pending cases have, under a reservation of rights, appointed outside counsel to represent and defend Premix and Imperial. These policies are not subject to a deductible or self-insured retention. Premix and Imperial believe that, based on past settlements and outcomes of asbestos cases, there should be adequate insurance coverage for these pending cases.

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

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

11. EMPLOYEE BENEFIT PLANS

The Company and certain of its subsidiaries offer defined contribution benefit plans to employees. These plans provide for voluntary contributions by employees and matching contributions by the Company, subject to certain limitations. The Company made matching contributions totaling $0.2 million in each of fiscal years 2019 and 2018.

The Company also offers a deferred compensation plan that provides certain management personnel with an opportunity to defer receipt of a portion of their salary, bonus and other specified cash compensation. The Company entered into a trust under the plan that is used to set aside the amounts of deferred compensation and the earnings from the investment of such amounts. In December 2018, the Company terminated the deferred compensation plan; balances owed to participants will be paid no sooner than 12 months and no later than 24 months after the termination date. The trust assets and the Company's liability under the plan as of February 28, 2019 were $1.8 million each, and as of February 28, 2018 were $1.6 million and $1.7 million, respectively.

12. INCOME TAXES

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

	February 28, 2019	February 28, 2018
United States	$ (715)	$ 11,473
Foreign	(3,255)	2,797
Income (loss) before provision for income taxes	$ (3,970)	$ 14,270

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

	February 28, 2019	February 28, 2018
Current:		
Federal	$ (152)	$ 1,631
State	54	352
Foreign	358	795
	260	2,778
Deferred:		
Federal	(157)	3,123
State	(16)	242
Foreign	(1,037)	182
	(1,210)	3,547
Provision for income taxes	$ (950)	$ 6,325

Cash paid for income taxes in fiscal year 2019 and 2018 was $0.9 million and $3.4 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, 2019		February 28, 2018	
	Amount	%	Amount	%
Provision for income taxes at the federal statutory rate	$ (834)	21.0%	$ 4,852	34.0%
State and local income taxes, net of federal tax benefit	68	-1.7%	363	2.5%
Domestic manufacturing deduction	-	0.0%	(29)	-0.2%
Foreign tax rate differential	(234)	5.9%	(77)	-0.5%
Tax valuation allowance	(14)	0.3%	(9)	-0.1%
Intangible assets amortization	179	-4.5%	291	2.0%
US tax rate change	-	0.0%	762	5.4%
US transition tax	-	0.0%	165	1.2%
Other	(115)	2.9%	7	0.0%
Actual provision for income taxes	$ (950)	23.9%	$ 6,325	44.3%

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

	February 28, 2019	February 28, 2018
Deferred Tax Assets:		
Net operating losses and foreign tax credit carry forwards	$ 14,846	$ 14,239
Inventories	1,048	946
Intangible assets	379	72
Accrued expenses	1,265	1,024
Other	398	142
	17,936	16,423
Less: valuation allowance on net operating losses	(12,931)	(12,906)
Total deferred tax assets	5,005	3,517
Deferred Tax Liabilities:		
Property and equipment	(1,397)	(1,203)
Prepaid expenses	(518)	(355)
Other	(12)	(87)
Total deferred tax liabilities	(1,927)	(1,645)
Net Deferred Tax Asset	$ 3,078	$ 1,872

The Company has gross net operating loss carry forwards principally from acquisitions of $57.5 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 $12.7 million as it is unlikely that these losses will be utilized due to the limitation. The Company has $0.1 million of loss carry forwards that will never expire. The Company also has US foreign tax credit carry forwards of $0.1 million that begin to expire in 2026. The Company has established a full valuation allowance for the foreign tax credit carry forwards because it may not be able to claim a benefit for the credits in the future.

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, 2019	February 28, 2018
Unrecognized tax benefits, beginning of year	$ 525	$ 541
Additions based on tax position related to current year	-	53
Reductions for tax positions of prior years	(55)	(69)
Unrecognized tax benefits, end of year	$ 470	$ 525

The Company is subject to income taxes in US federal and state jurisdictions, and in various foreign jurisdictions. Tax regulations within each jurisdiction are subject to interpretation of the related tax laws and regulations and require significant judgment to apply. The Company is not subject to US federal income tax examinations by tax authorities for the years before 2014.

13. SIGNIFICANT CUSTOMER AND VENDOR INFORMATION

The Company's customer base includes a concentration of home improvement retailers in each of its primary markets. One such customer accounted for approximately 34% and 41% of net sales in fiscal years 2019 and 2018, respectively, and approximately 29% and 41% of accounts receivable at February 28, 2019 and February 28, 2018, respectively.

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

14. SHAREHOLDERS' EQUITY

Common Stock

On December 28, 2017, the Board of Directors of the Company, with the consent of a domestic financial institution, declared a dividend of $1.00 per share of common stock. The dividend of approximately $3.2 million was paid on February 14, 2018 to shareholders of record as of the close of business on January 17, 2018.

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, 2019 and February 28, 2018 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, 2019 and February 28, 2018 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, 2017 there were 17,500 shares of Series C Preferred Stock issued and outstanding. In July 2017, the Company redeemed all of the outstanding shares of Series C Preferred Stock at a price per share of $1.00. February 28, 2019 and February 28, 2018 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. As of February 28, 2019 the number of shares held in treasury was 678,651 at an aggregate cost of $8.7 million. In fiscal year 2019, the Company purchased 40,300 shares of common stock at an aggregate cost of $1.1 million. In fiscal year 2018, the Company purchased 6,000 shares of common stock at an aggregate cost of $0.2 million. The Company has entered into a formal purchase plan pursuant to which the Company may purchase up to $3.0 million per year of additional shares of common stock on the open market or in privately negotiated transactions.

15. STOCK PLANS

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

At February 28, 2019 and February 28, 2018 there were no options outstanding.

In January 2019, the Company granted 2,500 fully vested shares of restricted common stock to its non-employee directors, fully vested on the same month. The fair value of the shares was $25.00 per share at the date of grant. In December 2013, the Company granted 15,000 shares of restricted common stock to its non-employee directors. The fair value of the shares was $19.50 per share at the date of grant. The terms of the grant include provisions for equal vesting over a five year period that commenced in December 2014. Until vested, the restricted shares cannot be transferred and have no rights to vote or receive dividends. There was no unamortized compensation expense at February 28, 2019 and an immaterial amount at February 28, 2018.

16. RELATED PARTY TRANSACTIONS

During fiscal years 2019 and 2018, the Company employed certain individuals who are related to the Company's Chief Executive Officer or President. These individuals were paid a total of $0.3 million in each of fiscal years 2019 and 2018. Pursuant to a Board resolution the Company may repurchase up to $120,000 per annum of shares of its outstanding common stock from one of these individuals at a price per share equal to the closing price of the common stock on the date of repurchase. Pursuant to this resolution, the Company repurchased 40,300 shares in fiscal 2019 and 6,000 shares in fiscal 2018, at a cost of $1.1 million and $0.2 million, respectively.

17. SUBSEQUENT EVENTS

In preparing the accompanying consolidated financial statements, the Company evaluated the period through July 29, 2019, the date the financial statements were available to be issued, for material subsequent events requiring recognition or disclosure.