QEP CO INC
Form DEFR14A
August 07, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. 1)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to § 240.14a-12

Q.E.P. CO., INC.

(Name of Registrant as Specified In Its Charter)

Not Applicable

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Q.E.P. CO., INC.

1001 Broken Sound Parkway

Suite A

Boca Raton, Florida 33487

August 7, 2007

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Q.E.P. Co., Inc. (the Company), which will be held at the Company s principal office, 1001 Broken Sound Parkway, Suite A, Boca Raton, Florida 33487, on August 24, 2007, at 9:00 a.m., local time.

The notice of the meeting and proxy statement on the following pages cover the formal business of the meeting. Please give these proxy materials your careful attention. It is important that your shares be represented and voted at the Annual Meeting regardless of the size of your holdings. Accordingly, whether or not you plan to attend the Annual Meeting, please complete, sign, and return the accompanying proxy card in the enclosed envelope, vote electronically using the Internet or using the telephone voting procedures, in order to make sure your shares will be represented at the Annual Meeting. If you decide to attend the Annual Meeting you may revoke your proxy at any time and vote in person, even if you have previously returned your form of proxy, by following the procedures set forth in this proxy statement.

Your continuing interest in the business of the Company is gratefully acknowledged. We hope you will attend the meeting.

Sincerely,

/s/ LEWIS GOULD
Lewis Gould
Chairman and Chief Executive Officer

Q.E.P. CO., INC.

1001 Broken Sound Parkway

Suite A

Boca Raton, Florida 33487

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

August 7, 2007

The Annual Meeting of Stockholders of Q.E.P. Co., Inc. will be held at the Company s principal office, 1001 Broken Sound Parkway, Suite A, Boca Raton, Florida 33487, on August 24, 2007 at 9:00 a.m., local time, for the following purposes:

1. To elect five directors to serve until the 2008 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified;

2. To ratify the appointment of Grant Thornton LLP as the Company s independent registered public accounting firm for the fiscal year ending February 29, 2008;

3. To approve the adjournment or postponement of the annual meeting, if necessary, in order to solicit additional proxies in favor if there are not sufficient favorable votes at the time of the meeting to approve Proposals 1 and 2; and

4. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on June 25, 2007 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting.

Stockholders are requested to vote, date, sign and promptly return the enclosed proxy in the envelope provided for that purpose, or vote electronically using the Internet or using the telephone voting procedures, WHETHER OR NOT THEY INTEND TO BE PRESENT AT THE MEETING. IF YOU ATTEND THE MEETING, YOU MAY, IF YOU WISH, WITHDRAW YOUR PROXY AND VOTE IN PERSON.

By Order of the Board of Directors

/s/ SUSAN J. GOULD
Susan J. Gould
Secretary

Boca Raton, Florida

August 7, 2007

Q.E.P. CO., INC.

1001 Broken Sound Parkway

Suite A

Boca Raton, Florida 33487

PROXY STATEMENT

ANNUAL MEETING AND PROXY SOLICITATION INFORMATION

This proxy statement is first being sent to stockholders on or about August 7, 2007, in connection with the solicitation of proxies by the Board of Directors of Q.E.P. Co., Inc., to be voted at the Annual Meeting of Stockholders to be held on August 24, 2007, and at any adjournment thereof (the Meeting). The close of business on June 25, 2007 has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the Meeting. At the close of business on the record date, the Company had outstanding 3,440,401 shares of $0.001 par value Common Stock (Common Stock), all of which are entitled to one vote per share at the Meeting.

You may vote (i) in person by attending the meeting, (ii) by mail by completing and returning a proxy, (iii) via telephone or (iv) electronically by using the Internet. To vote your proxy by mail, mark your vote on the enclosed proxy card, then follow the instructions on the card. To vote your proxy by telephone or by using the Internet, see the instructions on the proxy card and have the proxy card available when you place your telephone call or access the Internet web site.

Shares represented by duly executed proxies in the accompanying form received by the Company prior to the Meeting will be voted at the Meeting. If stockholders specify in the proxy a choice with respect to any matter to be acted upon, the shares represented by such proxies will be voted as specified. If a proxy card is signed and returned without specifying a vote or an abstention on any proposal, it will be voted according to the recommendation of the Board of Directors on that proposal. The Board of Directors recommends a vote FOR the election of directors, FOR the ratification of the appointment of Grant Thornton as the Company s independent registered public accounting firm and FOR the approval of the adjournment or postponement of the annual meeting, if necessary, in order to solicit additional proxies in favor if there are not sufficient favorable votes at the time of the meeting to approve Proposals 1 and 2. The Board of Directors knows of no other matters that may be brought before the Meeting. However, if any other matters are properly presented for action, it is the intention of the named proxies to vote on them according to their best judgment.

Stockholders who hold their shares through an intermediary must provide instructions on voting as requested by their bank or broker. A stockholder who signs and returns a proxy may revoke it at any time before it is voted by taking one of the following five actions: (i) voting in person at the Meeting; (ii) giving written notice of the revocation to the Secretary of the Company; (iii) executing and delivering a proxy with a later date, provided that no revocation will be effective until written notice of the revocation is received by the Company at or prior to the Meeting; (iv) by using the telephone voting procedures; or (v) by changing your vote on the Internet website.

A majority of the outstanding shares of Common Stock, represented in person or by proxy, constitutes a quorum for the transaction of business at the Meeting. The affirmative vote of at least a majority of the votes of the shares of Common Stock present in person or represented by proxy at the Meeting is required to approve all matters to be voted upon at the Meeting, except for the election of directors, which shall be determined by plurality vote. Votes cast by proxy or in person at the Meeting will be tabulated by one or more inspectors of election, appointed at the Meeting, who will also determine whether a quorum is present for the transaction of business. Abstentions and broker non-votes will be counted as shares present in the determination of whether shares of the Company s Common Stock represented at the Meeting constitute a quorum. With respect to all matters to be voted upon at the meeting, abstentions will be treated as votes AGAINST and broker non-votes will not be counted for the purpose of determining whether a proposal has been approved.

The expense of preparing, printing, and mailing proxy materials to stockholders of the Company will be borne by the Company. In addition to the use of mail, employees of the Company may solicit proxies personally and by telephone. The Company s employees will receive no compensation for soliciting proxies other than their regular salaries. The Company will also reimburse brokerage houses and other nominees for their expenses in forwarding proxy material to beneficial owners of the Company s stock.

The executive office of the Company is located at 1001 Broken Sound Parkway, Suite A, Boca Raton, Florida 33487 and the telephone number is (561) 994-5550.

PROPOSAL 1 ELECTION OF DIRECTORS

At the Meeting, five nominees for director are to be elected to hold office until the 2008 Annual Meeting of Stockholders and until their successors have been elected and qualified. The five nominees for election as directors are Lewis Gould, Leonard Gould, Emil Vogel, David W. Kreilein, and Robert G. Walters. Each nominee, other than Mr. Walters, is currently a member of the Board. Mr. Walters was recommended to the Nominating Committee by Mr. Kreilein, a non-management director. Information concerning each of the nominees is set forth below. The persons named in the enclosed proxy card have advised that, unless otherwise directed on the proxy card, they intend to vote **FOR** the election of the nominees, and that should any nominee become unable or unwilling to accept nomination or election for any reason, votes will be cast for a substitute nominee designated by the Board of Directors, but in no event will the proxy be voted for more than five nominees for director. The Board of Directors has no reason to believe the nominees named will be unable or unwilling to serve if elected.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES AS DIRECTORS TO SERVE UNTIL THE COMPANY S 2008 ANNUAL MEETING OF STOCKHOLDERS AND UNTIL THEIR RESPECTIVE SUCCESSORS ARE DULY ELECTED AND QUALIFIED.

Nominees for Director

Nominee	Age	Position, Principal Occupation, Business Experience and Directorships	Director Since
Lewis Gould	64	Mr. Gould has served as the Chairman of the Board of Directors and Chief Executive Officer of the Company since 1979 (inception).	1979
Emil Vogel[(1)(2)(3) (4)]	64	Mr. Vogel has served as the President of Tarnow Associates, an executive search firm, since 1982. He has also served as a director of PubliCARD, Inc. (NASD: CARD), a smart card solutions for educational and corporate campuses company, since 2001.	1997
Leonard Gould	38	Mr. Leonard Gould has served as Senior Vice President, Retail Accounts of the Company, since 1998. He has held management positions in the Company since 1995. He received his MBA from the University of Miami in 2003. Mr. Gould is the son of Lewis Gould and Susan Gould.	1999
David W. Kreilein[(2)(3)(4)]	49	Mr. Kreilein is currently a Partner with Monomoy Capital Partners, a private equity firm. He joined Monomoy in 2007. Prior to this, he spent 9 months working as CFO of IGPS, a startup company in the pallet business. Prior to IGPS, Mr. Kreilein was a Vice President with Sun Capital Partners, Inc., a private equity firm, from 2001 through 2006. Prior to joining Sun Capital, Mr. Kreilein served as Chief Financial Officer for Olan Mills, Inc., a photography company, from 1999 to 2001, Chief Financial Officer of Gateway Communications Inc., a value added reseller of technology products, from April 1999 through August 1999, and Chief Financial Officer for Hamilton Sorter Company Inc., a manufacturer of office furniture, from 1993 to April 1999. Currently, Mr. Kreilein is a director of a number of private companies.	2006
Robert G. Walters	60	Mr. Walters has served as Chief Executive Officer and a Director of Rauch Industries, a designer and importer of Christmas ornaments, since 2007. Prior to that, Mr. Walters served as Chief Executive Officer of Beckett Corporation, a manufacturer and importer of water-gardening equipment and pumps for the HVAC market, from 2002 through 2006. Prior to joining Beckett Corporation, Mr. Walters served as the Executive Vice President and Chief Financial Officer and later the Chief Operating Officer of Avanti Press, a commercial printing and telemarketing fulfillment company, and served as the Executive Vice President and Chief Financial Officer of Norwegian Cruise Line.	N/A

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

(3) Member of the Nominating Committee.

(4) Member of the Governance Committee.

Executive Officers

Executive Officer	**Age**	**Position, Principal Occupation, Business Experience and Directorships**
Stuart F. Fleischer	54	Mr. Fleischer has served as the Chief Financial Officer, Senior Vice President and Treasurer of the Company since August 2006. From October 2003 to January 2006, Mr. Fleischer served as the Chief Financial Officer of National Medical Health Card Systems, Inc., a publicly held pharmacy benefit manager. From January 2001 to September 2003, Mr. Fleischer was a partner at Tatum CFO Partners LLP. Prior to joining Tatum CFO Partners, Mr. Fleischer served as Vice President of Finance for the medical group at Henry Schein, Inc. from August 1997 to August 2000. Mr. Fleischer also served as Vice President and Chief Financial Officer of Micro Bio-Medics, Inc., a publicly held distributor of medical supplies and equipment, from March 1995 to August 1997, before Henry Schein, Inc. acquired it in August 1997. Mr. Fleischer has 12 years of public accounting experience with Price Waterhouse LLP.
James Brower	41	Mr. Brower has served as Executive Vice-President and Chief Operating Officer of the Company since October 2005. Mr. Brower served as Vice President Operations and Engineering for the Dorel Juvenile Group from March 2004 to October 2005 where he had executive responsibility for product engineering, global sourcing and purchasing activities, and global freight and logistics. From April 2001 to March 2004, Mr. Brower served as Vice President of Supply Chain for Applica Consumer Products, Inc. with responsibilities including global sourcing and purchasing activities and logistics. Prior to his employment with Applica, Mr. Brower served as Vice President of Global Logistics for Remington Consumer Products, LLC.
Richard A. Brooke	59	Mr. Brooke has served as Senior Vice President of the Company since January 2006. Mr. Brooke was an independent management consultant providing strategic and financial planning, restructuring and technology solution services from 1989 to 2006. Prior to 1989, Mr. Brooke was the chief financial officer of Sahlen & Associates, Inc., a leading U.S. provider of security services; chief financial officer of Biogen, Inc., a global biotechnology leader; and a Partner with Deloitte Haskins & Sells, a worldwide audit, tax and consulting professional services firm.
Jamie L. Clingan	44	Ms. Clingan has served as the Senior Vice President, International Marketing of the Company since July 2006. She has held management positions with the Company since 2002. Prior to 2002, Ms. Clingan served as Marketing Manager with MAPEI Corporation, a supplier of adhesives and chemicals to the construction industry.
Susan J. Gould	61	Ms. Gould has served as the Secretary of the Company since 1979 (inception). Ms. Gould is the former wife of Lewis Gould and mother of Leonard Gould.
Kenneth Weiss	41	Mr. Weiss has served as Sr. Vice-President, Commercial Sales since August 2006. He was with Magla Products, LLC from January 2004 until August 2006. He served as Vice-President of National Accounts with Magla Products, a leading manufacturer and distributor of household, work and garden gloves, beginning in September 2005 and their Director of Sales-National Accounts upon hire in January 2004. From April 2002 to January 2004, Mr. Weiss served as National Account Manager and from January 2000 to April 2004 as Account Manager for Baldwin Hardware, a division of Masco, that specializes in architectural builder s hardware and locksets.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

General Overview

The Company s compensation program is designed to attract, motivate and retain highly-qualified executives who will assist the Company in meeting its short and long-term objectives. In order to achieve this, we seek to create a link between the executives compensation and our annual and long-term financial performance; to align the executives interests with those of our stockholders through performance-based incentive compensation that present an opportunity for financial reward to the executives; and to provide executives with total compensation opportunities at levels that are competitive for comparable positions at comparable companies.

How We Determine and Assess our Executive Compensation

The Company s Board of Directors is responsible for approving the compensation of (i) the Company s principal executive officer; (ii) all individuals serving as the Company s principal financial officer during the last completed year; (iii) the Company s three most highly compensated executive officers other than the principal executive officer and principal financial officer who were serving as executive officers at the end of the last completed fiscal year (the Named Executive Officers), and (iv) certain other executive officers. The Compensation Committee of our Board of Directors (the Compensation Committee) has been delegated authority to discharge these responsibilities. Information about the Committee and its composition, responsibilities and operations can be found in this proxy statement, under the caption Compensation Committee.

The Company endeavors to determine and assess executive compensation by taking into consideration market data based on the compensation levels, programs and practices of certain other companies for comparable positions, and company and individual performance in specified areas, such as financial and operational.

Elements of our Compensation Program

Our executive compensation program has the following elements: base salary, annual incentive awards, and long-term incentive opportunities, which comprise an executive s total direct compensation in a given fiscal year. The program is complemented with other executive benefits, including 401(k) matching contributions and, in some cases, severance benefits.

Base Salary

Base salary for the Company s executive officers is determined based on their skills, experience and contributions of the position to the Company s success overall. Base salary is the fixed component of the executives total direct compensation. The Committee reviews the base salaries of our executive officers annually and whenever an executive is promoted. Mr. Lewis Gould, after taking into account the performance areas noted above, makes salary recommendations to the Committee with respect to executive officers other than himself.

Annual Incentives

Annual incentive awards provide a link between executive compensation and the Company s annual performance. Unlike base salary, which is fixed, the Company s executives annual bonus is at risk based on how well the Company and its executives perform.

The Committee has approved an executive bonus plan that targets an executive receiving 40% of base salary, 70% in the case of Lewis Gould, when outstanding performance is achieved as measured by certain key performance indicators. The bonus plan is based on an assessment of the overall Company and divisional performance as compared to earnings per share (EPS), earning before, interest, taxes, depreciation and amortization (EBITDA) and inventory turn targets established by the Committee and the Board of Directors. For the fiscal 2007 performance year, the Company did not meet the minimum performance goals established by the Board of Directors. Therefore, with the exception of Stuart Fleischer who was guaranteed a bonus of $45,000, pursuant to the terms of his employment agreement, no Named Executive Officer received a performance bonus for fiscal 2007.

The Company s incentive plan does not provide for a minimum or threshold amount of incentive compensation. The maximum incentive award is based on the full achievement of the Company s financial and operational plans, and also represents the targeted incentive award. The achievement of the maximum award requires superior performance by the Company s executives, both individually and collectively. However, by achieving various combinations of the bonus plan targets through good performance, the executives could be awarded some amount of bonus that is less than the targeted incentive compensation.

Long-Term Incentives

In addition to the Company s bonus plan, the Committee made certain awards of stock appreciation rights (SARS) during fiscal 2007 to certain employees, including executive and non-executive positions. The SARS program is designed to reward and assist the Company with the retention of its executives, including the Named Executive Officers. These awards, which have a three year term and cliff vest after three years, encourage the Company s executives and other employees to work toward achieving the Company s long-term strategic objectives aimed at increasing stockholder value.

Perquisites and Other Executive Benefits

Certain of the Company s executives receive other perquisites and executive benefits as a part of their total compensation. The Company offers executive officers defined contribution matching benefits, health benefits and life and disability insurance coverage benefits. Individually and in total, the Company believes that the other benefits it provides to its Named Executive Officers are appropriate and reasonable.

Severance Pay Arrangements

The Company s employees, including our Named Executive Officers, other than Mr. Lewis Gould, James Brower and Stuart Fleischer, are employees at-will and do not have employment contracts with us. The at-will employment status of the Company s employees provides flexibility to remove employees when appropriate under the circumstances. However, in order to retain and attract highly-qualified executives who may otherwise desire the protection of a long-term employment contract, certain executives have severance arrangements, which provide a specified number of weeks of severance pay, subject to the reason for termination of employment.

Accounting and Other Considerations

Accounting Considerations

With the adoption of FAS 123R, the Company does not expect accounting treatment of differing forms of equity awards to vary significantly and, therefore, accounting treatment is not expected to have a material effect on the selection of forms of compensation.

Equity Grant Practices

The Company has not timed and will not time the grant of equity awards to coincide with, precede or follow the release of material non-public information.

Proposed Changes for 2007

The Company continues to monitor the regulatory developments under Internal Revenue Code Section 409A, which was enacted as part of the American Jobs Creation Act of 2004. Section 409A imposes substantial limitations and conditions on nonqualified deferred compensation plans, including certain types of equity compensation and separation pay arrangements. We intend to amend our compensation arrangements, if necessary, in order to ensure their full compliance with Section 409A before the current transition period expires on December 31, 2007.

Summary Compensation Table

The following table presents certain information concerning the compensation received or accrued for services rendered during the fiscal year ended February 28, 2007 for the Named Executive Officers:

Name & Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value & Nonqualified Deferred Compensation Earnings ($)(2)	All Other Compensation ($)(3)	Total ($)
Lewis Gould, Chairman and Chief Executive Officer	2007	515,865		4,410			8,594	30,187	559,056
Stuart Fleischer Chief Financial Officer	2007	166,154	45,000(4)		29,264(3)			14,691	255,109
Randall Paulfus(5) Interim Chief Financial Officer	2007	156,000						5,000	161,000
James Brower, Chief Operating Officer	2007	234,077		5,455			1,012	23,462	264,006
Leonard Gould, Senior Vice President National Accounts	2007	220,663		3,728				26,947	251,338
Richard Brooke, Senior Vice President	2007	186,538						8,789	195,327

(1) The amounts set forth in stock awards and option awards represent the aggregate amount recognized for financial statement reporting purposes for the Named Executive Officers in fiscal 2007. This is computed in accordance with the Statement of Financial Accounting Standard (SFAS) No. 123, as amended by SFAS No. 123(R), Share-Based Payment (SFAS 123(R)), based on the assumptions set forth in

Note P of the Company s consolidated financial statements as filed with the Securities and Exchange Commission on Form 10-K on May 29, 2007. There were no equity award forfeitures by the Named Executive Officers in fiscal 2007.

(2) The amounts include the earnings on the contributions to the Company s Executive Deferred Compensation Plan. Named Executive Officers may elect to defer a portion of their annual base salary and incentive cash bonus. The Company directs the Trustees to invest these funds which are held in an irrevocable Rabbi Trust. The participants in the plan must make a election regarding the payment of their deferred contributions based on the stipulations of the plan.

(3) The amounts include $12,187, $9,441, $5,000, $17,462, $17,647 and $8,789 for Messrs. Lewis Gould, Fleischer, Paulfus, Brower, Leonard Gould and Brooke, respectively, representing the Company s contribution under its 401(k) and profit sharing plan and Company payment for life and health insurance benefits during fiscal 2007. In addition, an automobile allowance is included in the amount of $18,000 for Lewis Gould, $5,250 for Stuart Fleischer, $6,000 for James Brower and $9,300 for Leonard Gould.

(4) On August 1, 2006, upon commencement of his employment with the Company, Stuart Fleischer was issued 50,000, 10 year stock options that vest over three years. Additionally, Mr. Fleischer s guaranteed bonus of $45,000 for fiscal 2007 was paid in June 2007.

(5) On August 20, 2006, the Company terminated the services of Mr. Randall Paulfus, who had been serving as the Company s Interim Chief Financial Officer since January 2006 pursuant to an agreement between the Company, Mr. Paulfus and Tatum LLC, an executive services and consulting firm of which Mr. Paulfus was a Partner.

Fiscal 2007 Grants of Plan Based Awards

The following table sets forth certain information relating to the cash amounts that could have been received under the 2007 bonus plan and the SARS/options granted to the Named Executive Officers pursuant to the Company s Omnibus Stock Plan of 1996 in the fiscal year ended February 28, 2007.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards						
Name	**Grant Date**	**Threshold ($)**	**Target ($)(1)**	**Maximum ($)(1)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**All Other Stock Awards: Number of Shares of Stock or Units (#)(2)**	**All Other Option Awards: Number of Securities Underlying Options (#)(2)**	**Exercise or Base Price of Option Awards ($/Sh)**	**Grant Date Fair Value of Stock and Option Awards ($)**
Lewis Gould	7/20/06		360,000	360,000		10,000	10,000	10,000		7.05	19,390
Stuart Fleischer	8/2/06		120,000	120,000		10,000	10,000		50,000	7.85	150,500
Randall Paulfus											
James Brower	7/20/06		95,000	95,000		10,000	10,000	10,000		7.05	19,390
Leonard Gould	7/20/06		88,000	88,000		10,000	10,000	10,000		7.05	19,390
Richard Brooke			62,000	62,000							

(1) With the exception of Stuart Fleischer, no Named Executive Officer received a non-equity incentive plan award for fiscal 2007. Mr. Fleischer received a bonus of $45,000, which was guaranteed under the terms of his employment contract.

(2) Granted under the Company s Omnibus Stock Plan of 1996. As part of his employment contract, Mr. Fleischer received 50,000, 10 year stock options that vest over three years. All other stock awards are SARS that have a three year term and cliff vest after three years.

Fiscal 2007 Outstanding Equity Awards

With the exception of Lewis Gould, no Named Executive Officer exercised stock options/SARS in the fiscal year ended February 28, 2007. The following table sets forth certain information with respect to the value of options and SARS/options held by the Company s Named Executive Officers at February 28, 2007.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(1)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Lewis Gould	25,000			7.20	7/17/2008			30,000	
	18,750			6.40	7/16/2009				
	40,000			4.00	7/16/2011				
	40,000			4.13	7/16/2011				
Stuart Fleischer		50,000(2)		7.85	8/02/2016				
Randall Paulfus									
James Brower								22,000	
Leonard Gould	2,500			7.20	7/17/2008			20,000	
	6,250			6.40	7/16/2009				
	2,500			7.25	8/02/2010				
	8,750			3.87	7/23/2011				
	3,000			4.45	7/12/2012				
Richard Brooke								8,000	

(1) Stock awards are SARS that have a three year term and cliff vest after three years. Currently, all SARS are out-of-money.

(2) On August 1, 2006, upon commencement of his employment with the Company, Stuart Fleischer was issued 50,000, 10 year stock options that vest over three years.

Fiscal 2007 Options Exercised and Stock Vested

In fiscal 2007, Mr. Lewis Gould was the only Named Executive Officer that exercised any stock option. The following table sets forth the details on the options exercised and stock vested for the fiscal year ended February 28, 2007.

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise(#)**	**Value Realized on Exercise($)**	**Number of Shares Acquired on Vesting(#)**	**Value Realized on Vesting($)**
Lewis Gould	10,000	16,100		
Stuart Fleischer				
Randall Paulfus				
James Brower				
Leonard Gould				
Richard Brooke				

401(k) Plan

Effective March 1, 1995, the Company merged, amended and restated its prior defined contribution profit sharing plan and its prior 401(k) plan into a revised plan (the 401(k) Plan) to provide retirement income to employees of the Company. The prior plans were, and the 401(k) Plan is intended to remain, qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended. The 401(k) Plan covers all employees who are at least age 21 and have completed three months of service. It is funded each year by the following contributions: (i) voluntary pre-tax (salary reduction) contributions from employees up to a maximum dollar limit set by law, (ii) discretionary matching contributions by the Company equal to a percentage of the amount of the employee s salary reduction contribution, which percentage is to be determined each calendar year by the Company (and may be zero), and (iii) a profit sharing contribution, the amount of which, if any, is determined by the Company in its sole discretion. Upon leaving the Company, each participant is 100% vested with respect to the participant s contributions and is vested based on years of service with respect to the Company s matching contributions. Contributions are invested as directed by the participant in investment funds available under the 401(k) Plan. Full retirement benefits are payable to each participant in a single cash payment upon the participant s retirement, termination of employment, death or disability.

On December 27, 2004, the Company adopted the QEP Executive Deferred Compensation Plan (the Deferred Plan) effective December 15, 2004. The purpose of the Deferred Plan is to provide participants with an opportunity to defer receipt of a portion of their salary, bonus, and other specified cash compensation. Participation in the Deferred Plan is limited to employees who are part of a select group of management or highly compensated employees of the Company. The Company also entered into a Trust under the QEP Executive Deferred Compensation Plan (the Trust) with Reliance Trust Company as the trustee. The Trust will be a rabbi trust and will be used to set aside the amounts of deferred compensation allocated to the participants in the Plan