

QEP CO INC  
Form DEF 14A  
June 28, 2005

## SCHEDULE 14A INFORMATION

### Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant  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))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-11 or § 240.14a-12

**Q.E.P. CO., INC.**

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(Name of Registrant as Specified In Its Charter)

**Not Applicable**

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

.. Payment of Filing Fee (Check the appropriate box):

x No fee required.

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(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;

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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**Q.E.P. CO., INC.**

**1081 Holland Drive**

**Boca Raton, Florida 33487**

July 14, 2005

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, 1081 Holland Drive, Boca Raton, Florida 33487, on July 27, 2005, 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 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

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Lewis Gould

Chairman and Chief Executive Officer

**Q.E.P. CO., INC.**

**1081 Holland Drive**

**Boca Raton, Florida 33487**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**July 14, 2005**

The Annual Meeting of Stockholders of Q.E.P. Co., Inc. will be held at the Company's principal office, 1081 Holland Drive, Boca Raton, Florida 33487, on July 27, 2005 at 9:00 a.m., local time, for the following purposes:

1. To elect five directors to serve until the 2006 Annual Meeting of Stockholders;
2. To ratify the appointment of Grant Thornton LLP as the Company's independent certified public accountants for the fiscal year ending February 28, 2006; and
3. 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 July 14, 2005 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, **WHETHER OR NOT THEY INTEND TO BE PRESENT AT THE MEETING. STOCKHOLDERS WHO EXECUTE A PROXY CARD MAY NEVERTHELESS ATTEND THE ANNUAL MEETING, REVOKE THEIR PROXY AND VOTE THEIR SHARES IN PERSON.**

By Order of the Board of Directors

/s/ SUSAN J. GOULD

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Susan J. Gould

Secretary

Boca Raton, Florida

July 14, 2005

**Q.E.P. CO., INC.**

**1081 Holland Drive**

**Boca Raton, Florida 33487**

**PROXY STATEMENT**

**ANNUAL MEETING AND PROXY SOLICITATION INFORMATION**

This proxy statement is first being sent to stockholders on or about July 14, 2005, in connection with the solicitation of proxies by the Board of Directors of Q.E.P. Co., Inc. (the Company), to be voted at the Annual Meeting of Stockholders to be held on July 27, 2005, and at any adjournment thereof (the Meeting). The close of business on July 14, 2005 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 [3,458,288] shares of \$0.001 par value Common Stock (Common Stock), all of which are entitled to one vote per share at the Meeting.

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 and FOR the ratification of the appointment of the independent certified public accountants. 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 three actions: (i) voting in person at the Meeting; (ii) giving written notice of the revocation to the Secretary of the Company; or (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.

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. 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.

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The executive office of the Company is located at 1081 Holland Drive, Boca Raton, Florida 33487 and the telephone number is (561) 994-5550.

**SECURITY OWNERSHIP OF MANAGEMENT AND  
CERTAIN BENEFICIAL OWNERS**

The following table sets forth information as to the Company's Common Stock beneficially owned on June 27, 2005 by (i) each director and director nominee, (ii) each Named Executive Officer (as defined below), (iii) all directors and executive officers of the Company as a group, and (iv) any person who is known by the Company to be the beneficial owner of more than five percent of the Common Stock outstanding. Beneficial ownership means sole or shared voting power or investment power with respect to a security. The Company has been informed that all shares shown are held of record with sole voting and investment power, except as otherwise indicated. The calculation of the percentage of outstanding shares is based on 3,458,288 shares outstanding as of June 27, 2005.

<u>Name and Address of Beneficial Owner<sup>(1)</sup></u>	<u>Shares Beneficially Owned</u>	
	<u>Number</u>	<u>Percent</u>
Lewis Gould <sup>(2)</sup>	1,715,098	48.7%
Susan J. Gould <sup>(3)</sup>	423,940	12.5%
First Wilshire Securities Management, Inc. <sup>(4)</sup> 600 South Lake Street, Suite 100, Pasadena, CA 91106	234,349	6.9%
Marc P. Applebaum <sup>(5)</sup>	55,575	1.6%
Leonard Gould <sup>(6)</sup>	33,600	1.0%
Emil Vogel <sup>(7)</sup> 649 Hyslip Avenue, Westfield, New Jersey 07090	39,166	1.1%
Christian Nast <sup>(7)</sup> 107 North Beach Road, Hobe Sound, FL 33455	37,666	1.1%
Geary Cotton <sup>(7)</sup> 615 Idlewyld Drive, Fort Lauderdale, Florida 33301	10,666	*
Robert Doda <sup>(8)</sup>	5,500	*
All directors and executive officers as a group (8 persons) <sup>(9)</sup>	1,937,059	52.9%

\* Less than 1%.

- (1) Unless otherwise specified, the address of each person in this table is c/o Q.E.P. Co., Inc., 1081 Holland Drive, Boca Raton, Florida 33487.
- (2) Includes 384,152 shares of Common Stock held by Mr. Gould as Trustee of a voting trust for the benefit of Susan J. Gould. Mr. Gould has the right to vote such shares until March 15, 2012 pursuant to the terms of a voting trust agreement and a right of first refusal to acquire any shares of Common Stock subject to the voting trust at a price equal to the then prevailing market price of the Common Stock. Includes 83,750 shares that may be acquired within 60 days through the exercise of stock options granted under the Company's Omnibus Stock Plan of 1996. Includes options for 50,000 shares that may be acquired within 60 days through the exercise of stock options granted in July 2001 outside of the Company's Omnibus Stock Plan of 1996.
- (3) Includes 384,152 shares of Common Stock held by Mr. Lewis Gould as trustee of a voting trust for the benefit of Susan J. Gould. Mr. Gould has the right to vote such shares until March 15, 2012 pursuant to the terms of a voting trust agreement and has a right of first refusal to acquire any shares of Common Stock subject to the voting trust at a price equal to the then prevailing market price of the Common Stock. Includes 3,750 shares that may be acquired within 60 days through the exercise of stock options granted under the Company's Omnibus Stock Plan of 1996. In May 1998, the Board of Directors authorized the Company to repurchase from Ms. Gould, from time to time, up to 1,000 shares of Common Stock per month at a price per share equal to \$.50 less than the closing price of the

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Common Stock on the date of repurchase. Ms. Gould is not obligated to sell any shares of Common Stock to the Company. As of June 15, 2005, Ms. Gould has sold a total of 102,000 shares to the Company.

- (4) As reported in the most recent Schedule 13F filed by the respective company.
- (5) Includes 53,250 shares that may be acquired within 60 days through the exercise of stock options granted under the Company's Omnibus Stock Plan of 1996.
- (6) Includes 7,100 shares held as custodian for Mr. Leonard Gould's children and 23,000 shares that may be acquired within 60 days through the exercise of stock options granted under the Company's Omnibus Stock Plan of 1996.
- (7) In the case of Messrs. Nast, Vogel and Cotton, the amount includes 18,666, 22,666 and 10,666 shares respectively that may be acquired within 60 days through the exercise of the stock options granted under the Company's Omnibus Stock Plan of 1996.
- (8) Includes 5,500 shares that may be acquired within 60 days through the exercise of stock options granted under the Company's Omnibus Stock Plan of 1996.
- (9) Includes 271,248 shares that may be acquired within 60 days through the exercise of stock options granted under the Company's Omnibus Stock Plan of 1996.

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**PROPOSAL 1 ELECTION OF DIRECTORS**

At the Meeting, five directors are to be elected to hold office until the 2006 Annual Meeting of Stockholders and until their successors have been elected and qualified. The five nominees for election as directors are Leonard Gould, Lewis Gould, Christian Nast, Geary Cotton, and Emil Vogel. Each nominee is currently a member of the Board. 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. 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 2006 ANNUAL MEETING OF STOCKHOLDERS AND UNTIL THEIR RESPECTIVE SUCCESSORS ARE DULY ELECTED AND QUALIFIED.

**Nominees for Director**

<u>Nominee</u>	<u>Age</u>	<u>Position, Principal Occupation, Business Experience and Directorships</u>	<u>Director Since</u>
Lewis Gould	62	Chairman of the Board and Chief Executive Officer of the Company since 1979 (inception).	1979
Emil Vogel <sup>(1)(2)(3)</sup>	62	President, Tarnow Associates, an executive search firm, since 1982. Director of PubliCARD, Inc. (NASD: CARD), a smart card solutions for educational and corporate campuses company, since 2001.	1997
Christian Nast <sup>(1)(2)(3)</sup>	73	Vice Chairman, Chief Executive Officer and President, Rexall Sundown, Inc. ( Rexall ), a nutritional supplement company from 1995 through 2000. From 1989 to 1995, Executive Vice President, North America at Colgate Palmolive Company, a household products company.	1998
Leonard Gould	36	Senior Vice President, National Accounts of the Company, since 1998. Management positions in the Company since 1995. Mr. Gould is the son of Lewis Gould and Susan Gould.	1999
Geary Cotton <sup>(1)(2)</sup>	53	Consultant to various companies in the area of corporate development since 2001. From 1986 to 2001, Vice President, Treasurer and Chief Financial Officer of Rexall.	2002

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

(3) Member of the Nominating Committee.

**Other Executive Officers**

<u>Executive Officer</u>	<u>Age</u>	<u>Position, Principal Occupation, Business Experience and Directorships</u>
Marc P. Applebaum	49	Senior Vice President, Chief Financial Officer and Treasurer of the Company since March 1997. Senior Vice President of Finance and Control and Assistant Treasurer from December 1993 to March 1997 of Pueblo-Xtra International, Inc., a food retailer based in Florida and Puerto Rico. Audit partner with the international accounting firm of Coopers & Lybrand, from 1991 to 1993.

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Eric Demaree	51	Executive Vice President, Sales beginning June 2005. Prior to joining the Company, Mr. Demaree worked for The Home Depot in various executive positions in merchandising.
John Chrzan	69	Senior Vice President, Sales of the Company, since 2001. Management positions in the Company since 1994. Retired February 2005.
Robert Doda	40	Vice President, Operations of the Company since 2002. Management positions with the company since 1987.
Susan J. Gould	59	Secretary of the Company since 1979 (inception).

## **The Board of Directors and its Committees**

During the fiscal year ended February 28, 2005, the Company's Board of Directors held five meetings. Each of the Company's directors attended at least 75% of the total number of Board meetings and meetings of committees of which he is a member that were held during fiscal year 2005. In addition to attending meetings, directors discharge their responsibilities through review of Company reports to directors, correspondence, and telephone conferences with the Company's executive officers, employees and others regarding matters of interest to the Company. The Board of Directors has determined that the following directors are independent directors as defined by Nasdaq listing requirements: Geary Cotton, Christian Nast, and Emil Vogel. The Board of Directors has standing audit, compensation, and nominating committees.

## **Audit Committee**

The Audit Committee consists of Christian Nast, Emil Vogel and Geary Cotton, each of whom is a non-employee director of the Company and each of whom is independent under Nasdaq listing standards. In accordance with the applicable Nasdaq rules, all Audit Committee members are able to read and understand financial statements. The Board of Directors has determined that Geary Cotton, Chairman of the Audit Committee, is an audit committee financial expert as defined by Item 401(h) of Regulation S-K of the Exchange Act and he is independent under Nasdaq listing standards. Pursuant to the revised Audit Committee charter adopted in October 2002, as amended in May 2004, the duties of the Audit Committee are, among others, to select, retain, and evaluate the Company's independent registered certified public accountants, to review and approve in advance all related party transactions, to meet with the Company's independent registered certified public accountants to review the scope of audit procedures employed by the Company's independent auditors, to review and approve the audit reports rendered by the Company's independent registered certified accountants, to review and discuss all factors and relationships affecting the independence of the independent registered certified accountants and to approve the audit fee and all permissible non-audit services performed by the accountants. During fiscal 2005, the Audit Committee met five times, and the Chairman of the Audit Committee held several meetings with management and the Company's independent registered certified public accountants.

Management is responsible for the Company's financial reporting process and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and the independent auditors are responsible for auditing those financial statements. The Audit Committee is responsible for monitoring and reviewing these processes, not to conduct auditing or accounting reviews and procedures. Members of the Audit Committee are not required to be accountants or auditors by profession. The Committee's considerations and discussions with management and the independent auditors do not assure that the Company's financial statements are presented in accordance with accounting principles generally accepted in the United States of America or that the audit of the Company's financial statements has been carried out in accordance with standards of the United States Public Company Accounting Oversight Board.

## **Audit Committee Report**

In fulfilling its oversight responsibilities during fiscal 2005, the Audit Committee reviewed the financial statements included in the quarterly filings with the Securities and Exchange Commission (SEC) on Form 10-Q and the audited financial statements in the Annual Report on Form 10-K of the Company with management, including a discussion of the quality and acceptability of the accounting principles, the reasonableness of significant judgments and the clarity of the footnote disclosures contained in, or used in the compilation of, the financial statements of the Company.

The Audit Committee has discussed with the Company's registered independent auditors the overall scope and plans for the audit, the results of such audit, Grant Thornton's evaluation of the Company's internal controls and the quality of the financial reporting practices of the Company. The Audit Committee also reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of the Company's audited financial statements with accounting principles generally accepted in the United States of America, their judgments as to the

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quality and acceptability of the Company's accounting principles and such other matters required to be discussed under general auditing standards, including Statement on Auditing Standards No. 61. Additionally, the Audit Committee has discussed with the independent auditors the auditors' independence from management and the Company including the matters in the written disclosures and the letter from the independent auditors as required by the Independence Standards Board, Standard No. 1.

In reliance on the reviews and discussions referred to above and when considering whether the level of non-audit services provided by Grant Thornton LLP is consistent with the maintenance of its independence, the Audit Committee recommended to the

Board of Directors that the audited financial statements of the Company be included in the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2005 for filing with the SEC. The Board of Directors of the Company has approved such recommendation.

The foregoing has been furnished by the Audit Committee:

Geary Cotton, Chairman  
Christian Nast  
Emil Vogel

*This section is not Soliciting Material, is not deemed filed with the SEC and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.*

#### **Compensation of Independent Certified Public Accountants**

The Company incurred the following fees, including expenses billed to the Company, for the fiscal years ended February 28, 2005 and February 29, 2004 by Grant Thornton LLP, the Company's independent accounting firm:

**Audit Fees** Fees for the fiscal 2005 and fiscal 2004 audit and the reviews of the Company's annual financial statements and interim financial statements included in Forms 10-Q were approximately \$422,500 and \$361,300, respectively.

**Audit Related Fees** Fees for the fiscal 2005 and fiscal 2004 audit of the Company's 401(K) Plan were approximately \$15,000 and \$15,000, respectively.

**Tax Fees** Fees for the fiscal 2005 and fiscal 2004 tax return preparation, and in fiscal 2004 review and Internal Revenue Service examination for the Company's fiscal 1999 tax return were \$39,800 and \$60,300, respectively.

**All Other Fees** Aggregate fees for all other services, rendered by Grant Thornton LLP for fiscal 2005 and fiscal 2004 were approximately \$6,200 and \$6,900, respectively.

The Audit Committee has not adopted a pre-approval policy and considers and approves services provided by Grant Thornton LLP on a case by case basis. All fees during fiscal 2005 for non-audit services were approved by the Company's Audit Committee.

#### **Compensation Committee**

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The Compensation Committee consists of Christian Nast, Emil Vogel, and Geary Cotton, each of whom is a non-employee director of the Company and each of whom is independent under Nasdaq listing standards. The purpose of the Compensation Committee is to recommend to the Board both base salary levels and bonuses for the Chief Executive Officer and the other officers of the Company. The Compensation Committee also reviews and makes recommendations with respect to the Company's existing and proposed compensation plans, and serves as the committee responsible for awarding grants to employees of options under the Company's Omnibus Stock Plan of 1996. During fiscal 2005, the Compensation Committee met once to determine the salary and discuss the bonuses of the Company's executive officers. See Board Compensation Committee Report on Executive Compensation.

### **Compensation of Directors**

During fiscal 2005, all non-employee directors were granted 10,000 shares stock options, paid a retainer fee of \$10,000 each, and \$1,000 for attendance at each meeting of the Board of Directors, \$2,000 for attendance at each Audit Committee meeting, \$1,500 for attendance at each Compensation Committee meeting and \$3,000 for each Governance meeting. Although the directors have the option to receive their fees in cash or an amount of shares of Company common stock based on their fair value of such stock at the date of each meeting, during fiscal 2005, the directors received only cash. Effective for fiscal 2006, the Compensation Committee has approved an increase to the non-employee director compensation. Directors will be paid a retainer fee of \$12,000 each, and \$1,200 for attendance at each meeting of the Board of Directors, \$2,000 for attendance at each Audit Committee meeting, \$1,500 for attendance at each Compensation Committee meeting and \$3,000 for attendance at each Governance Committee meeting. In addition, the stock option grant was increased from 10,000 to 15,000. The directors are also reimbursed for reasonable travel or other out-of-pocket expenses incurred in connection with attending such meetings. No employee of the Company received any additional compensation for his service as a director.

### **Nominating Committee**

The Nominating Committee consists of Christian Nast and Emil Vogel, each of whom is a non-employee director of the Company and each of whom is independent under Nasdaq listing standards. The Nominating Committee does have a written charter and a current copy of such charter is available to stockholders on the Company's website, www.qep.com. The Nominating Committee does not have a formal policy with regard to the consideration of director candidates recommended by stockholders. Because of the historical small turnover of the Company's directors, the Company addresses the need to retain members and fill vacancies after discussion among current members of the Nominating Committee, the Board of Directors and the Company's management. Stockholders may nominate director candidates by complying with certain specific procedural and informational requirements set forth in the Company's Bylaws. The Nominating Committee employs general guidelines rather than adhering to strict requirements in selecting director candidates. In accordance with such guidelines the Nominating Committee gives consideration to prospective nominees who, among other things will bring to the Board of Directors a variety of experiences and backgrounds; will help to form a central core of business executives with substantial senior management experience, financial expertise, and such other skills that would enhance the Board of Director's effectiveness; and will represent the balanced, best interests of the Company's stockholders as a whole and the interests of the Company's other stakeholders, including customers, employees, and vendors. Furthermore, to the extent possible and appropriate, the Nominating Committee aspires to confirm that each prospective nominee is an individual of high character and integrity who has the ability to work well with others; possesses substantial and significant experience which would be of value to the Company in the performance of the duties of a director; and has sufficient time available to devote to the affairs of the Company in order to carry out the responsibilities of a director.

### **Communication With the Board of Directors and Director Attendance at Annual Meetings**

Directors are expected to fulfill their fiduciary duties to the Company's stockholders, including preparing for and attending meetings of the Board of Directors and the committees of which the directors are a member. The Company does not have a formal policy regarding director attendance at annual meetings. Nevertheless, directors are encouraged to attend. All five members of the Company's Board of Directors attended the 2004 Annual Meeting.

Stockholders may communicate with the Board of Directors by writing to them c/o Marc Applebaum, Senior Vice President and Chief Financial Officer, of the Company, care of the Board of Directors (or at the stockholder's option, care of a specific director), at 1081 Holland Drive, Boca Raton, Florida 33487. The Company will ensure that all communications to the Board of Directors or any particular director (properly marked and addressed as set forth above) will be delivered to the Board of Directors or a specified director, as the case may be.

### **Code of Ethics**

The Board of Directors adopted a Code of Ethics for senior financial officers of the Company in fiscal 2004. It applies to the Company's Chief Executive Officer, Chief Financial Officer, Controller, and to each of the Finance Directors of the Company's subsidiaries. The Code of Ethics is designed to deter wrongdoing and to promote honest and ethical conduct, full and accurate disclosure in periodic reports, and compliance with laws and regulations by the Company's senior officers who have financial responsibilities. A copy of the Code of Ethics was filed with the Company's Annual Report on Form 10-K for the fiscal year ending February 29, 2004, filed with the Securities and Exchange Commission on May 27, 2004. The Company will provide a copy of the policy in print without charge to any stockholder who makes a written request to: Marc Applebaum, Q.E.P. Co., Inc., 1081 Holland Drive, Boca Raton, Florida 33487.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

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Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers and persons who beneficially own more than ten percent of the outstanding common stock of the Company ( Ten Percent Owners ) to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission. The Company's directors, executive officers and Ten Percent Owners are required to furnish the Company with copies of all Section 16(a) reports they file. Based solely on a review of the copies of such reports received by it, the Company believes that during the fiscal year ended February 28, 2005, its directors, executive officers and Ten Percent Owners complied with all applicable Section 16(e) filing requirements except for the following Form 4s, each of which was inadvertently filed late: Mr. Christian Nast reported the exercise of three separate

stock options and the disposition of stock by gift on May 3, 2004; Mr. Emil Vogel reported the exercise of stock options on May 3, 2004; Messrs. Geary Cotton, Nast, and Vogel each reported the acquisition of stock options on July 22, 2004; and, Mr. Nast reported the purchase of stock on August 3, 2004.

## EXECUTIVE COMPENSATION

The following table presents certain information concerning the compensation received or accrued for services rendered during the fiscal years ended February 28, 2005, February 29, 2004 and February 28, 2003 for the Company's Chief Executive Officer and the four other highest paid executive officers of the Company in fiscal year 2005 (collectively, the Named Executive Officers):

### Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			Long-term Compensation
		Salary	Bonus	Other Annual Compensation	Number of Securities Underlying Options/SARs
<b>Lewis Gould</b>					
Chairman and Chief	2005	\$ 485,029		\$ 21,075 <sup>(1)</sup>	10,000
	2004	451,731	\$ 347,425	21,000 <sup>(1)</sup>	
Executive Officer	2003	435,399	215,000	19,532 <sup>(1)</sup>	
<b>Marc P. Applebaum</b>					
Chief Financial Officer and Treasurer	2005	\$ 251,346		\$ 12,558 <sup>(1)</sup>	6,000
	2004	230,096	\$ 65,000	12,167 <sup>(1)</sup>	
	2003	220,000	65,000 <sup>(3)</sup>	9,019 <sup>(1)</sup>	5,000
<b>Leonard Gould</b>					
Senior Vice President	2005	\$ 176,357		\$ 3,075 <sup>(1)</sup>	5,000
	2004	168,279	\$ 40,000	\$ 20,360 <sup>(1)</sup>	
National Accounts	2003	153,200	35,000	27,813 <sup>(1)</sup>	3,000
<b>John Chrzan</b>					
Senior Vice President Sales	2005	\$ 139,900 <sup>(2)</sup>			
	2004	139,800		\$ 2,289 <sup>(1)</sup>	
	2003	140,028	\$ 10,000	2,096 <sup>(1)</sup>	
<b>Robert Doda</b>					
Vice President Operations	2005	\$ 124,577		\$ 2,452 <sup>(1)</sup>	2,000
	2004	117,844	\$ 40,000		
	2003	103,299			

<sup>(1)</sup> Represents contributions made by the Company under its 401(k) and profit sharing plan. In the case of Mr. Gould, an automobile allowance in each year in the amount of \$18,000. In the case of Mr. Applebaum, included is an automobile allowance of \$9,600 in 2005

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and 2004 and \$7,200 in 2003. In the case of Mr. Leonard Gould, included is tuition reimbursement of \$17,360 and \$25,920 in fiscal 2004 and 2003, respectively.

(2) Mr. Chrzan retired effective February, 2005.

(3) Includes \$30,000 previously advanced to Mr. Applebaum in 2001.

**Option/SARs Grants in Fiscal 2005**

There were no option grants pursuant to the Company's Omnibus Stock Plan of 1996 in the fiscal year ended February 28, 2005 to the Named Executive Officers. The following table sets forth certain information relating to SARs grants pursuant to the Company's Omnibus Stock Plan of 1996 (as amended) in the fiscal year ended February 28, 2005 to the Named Executive Officers.

Name	Number of Securities Underlying SARs Granted	% of Total Options/ SARs Granted to Employees in Fiscal Year	Exercise Price per Share	Expiration Date	Potential Realizable Values at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5%	10%
					Lewis Gould	10,000
Marc P. Applebaum	6,000	10.3%	\$ 14.20	10/22/14	\$ 53,581	\$ 135,786
Leonard Gould	5,000	8.6%	\$ 14.20	10/22/14	\$ 44,652	\$ 112,156
Robert Doda	2,000	2.4%	\$ 14.20	10/22/14	\$ 17,860	\$ 45,262

**Option/SARs Values as of February 28, 2005**

No Named Executive Officers exercised stock options/SARs in the fiscal year ended February 28, 2005. The following table sets forth certain information with respect to the value of options/SARs held by the Company's Named Executive Officers at February 28, 2005.

Name	Number of Securities		Value of Unexercised	
	Underlying Unexercised		In-the-Money	
	Options/SARs		Options/SARs	
	at February 28, 2005		at February 28, 2005 <sup>(1)</sup>	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Lewis Gould	133,750	10,000	\$ 1,275,513	\$ 3,100
Marc P. Applebaum	51,583	7,667	\$ 472,905	\$ 18,630
Leonard Gould	22,000	6,000	\$ 200,333	\$ 11,610
Robert Doda	5,000	2,500	\$ 41,288	\$ 5,650

<sup>(1)</sup> Based on the public trading price of the Common Stock of \$14.51 on February 28, 2005.

**Equity Compensation Plan Information**

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The following table provides information as of February 28, 2005 about shares of the Company's Common Stock to be issued upon exercise of options, warrants, and other rights under the Company's existing equity compensation plans.

Plan Category	Number Of Securities To Be Issued Upon Exercise Of Outstanding	Weighted Average	Number Of Securities Remaining Available For Future Issuance Under The Equity Compensation Plan (Excluding Securities Reflected In The First Column)
	Options/SARs	Exercise Price Of Outstanding Options/SARs	
Equity Compensation Plan Approved by Security Holders <sup>(1)</sup>	331,513	\$ 7.19	481,345
Equity Compensation Plan Not Approved by Security Holders	50,000	\$ 4.00	0

<sup>(1)</sup> This plan is the Company's Omnibus Stock Plan of 1996.

**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 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.

### **Employment Agreement**

Effective May 12, 2003, the Company entered into an employment agreement with Lewis Gould. The agreement provides that Mr. Gould shall devote his full business time to the Company, may be terminated by the Company for cause (as defined in the agreement) and will receive an annual base salary of \$456,750 subject to adjustment for cost of living increases and other factors. The agreement provides that Mr. Gould may receive stock options and an annual bonus at the discretion of the Board of Directors. He will also receive lump sum compensation equal to 2.9 times his annual salary and bonus, and all insurance and other benefits for the longer of the term of the agreement or three years in the event of his termination following a non-negotiated change in control of the Company. The agreement also provides Mr. Gould with an automobile allowance. The agreement is for a five-year term and is subject to successive one-year renewals thereafter.

### **Compensation Committee Interlocks and Insider Participation**

The members of the Compensation Committee were Christian Nast, Geary Cotton, and Emil Vogel, each of whom is a non-employee director of the Company and each of whom is an independent director as defined by the Nasdaq listing standards. See Board Compensation Committee Report on Executive Compensation.

*Notwithstanding anything to the contrary set forth in any of the Company s previous filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 that might incorporate future filings, including this Proxy Statement, in whole or in part, the following Board Compensation Committee Report on Executive Compensation and the Performance Graph shall not be incorporated by reference into any such filings.*

### **Board Compensation Committee Report On Executive Compensation**

All executive officer compensation for fiscal 2005 was established by the Compensation Committee. In determining executive officer compensation, the Committee took into consideration all factors it deemed relevant, including business conditions in general and in the Company s line of business, the Company s performance, and the performance of the specific executive officer under consideration. In addition to salaries and retirement plan contributions, the compensation program for executive officers also includes awards of stock options/SARs under the Company s Omnibus Stock Plan of 1996.

The compensation for Mr. Gould was governed by the terms of an employment agreement entered into in May 2003, which provided for an adjustment to his annual salary based on the change in the cost of living index. During fiscal 2005, Mr. Gould s annual salary was \$485,029, and he received no annual discretionary bonus. In determining the base salary to be paid to Mr. Gould, the Compensation Committee considered a number of factors, including the Company s increase in net profit for the fiscal year and the overall performance of the Company attributable to

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Mr. Gould's efforts, business conditions in general, and market compensation for executives with similar background and experience. The Compensation Committee determined the no bonus was due for Mr. Gould after reviewing the results for the prior year.

This report is provided by each member of the Compensation Committee who participated in determining 2005 executive officer compensation, and who currently serves as a member of the Company's Board of Directors.

Emil Vogel  
Christian Nast  
Geary Cotton

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**PERFORMANCE GRAPH**

The following graph is a comparison of the cumulative total returns for the Company's Common Stock as compared with the cumulative total return for the NASDAQ Stock Market (U.S.) Index and the Russell 2000 Index. The Securities and Exchange Commission rules provide that the Company may compare its returns to those of issuers with similar market capitalization if the Company does not use a published industry or line-of-business index as a comparison and does not believe it can reasonably identify a peer group. After reasonable inquiry, the Company determined that no existing published industry or line-of-business indexes were applicable to the Company's business. In addition, the Company was unable to identify a peer group of publicly traded companies to which it believed a reasonable and meaningful comparison could be made. Therefore, the Company determined to compare its returns to those of the Russell 2000 Index, an index which the Company believes includes companies with market capitalizations similar to its own. The graph assumes that \$100 was invested in the Company's Common Stock on February 29, 2000 and in each of the indexes on such date, and that all dividends were reinvested.

Graph produced by Research Data Group, Inc.

3/30/2005

	<u>2-29-00</u>	<u>2-28-01</u>	<u>2-28-02</u>	<u>2-28-03</u>	<u>2-29-04</u>	<u>2-28-05</u>
Q.E.P. Co., Inc.	\$ 100	\$ 61.54	\$ 65.38	\$ 100.00	\$ 233.69	\$ 223.23
NASDAQ Stock Market (U.S.)	\$ 100	\$ 52.09	\$ 37.68	\$ 22.96	\$ 37.35	\$ 38.62
Russell 2000	\$ 100	\$ 83.16	\$ 83.44	\$ 65.00	\$ 106.87	\$ 115.11

The Company cautions that the stock price performance shown in the graph above should not be considered indicative of potential future stock price performance.

**PROPOSAL 2 RATIFICATION OF THE APPOINTMENT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

The Company's Audit Committee has appointed Grant Thornton LLP, Miami, Florida, as the Company's independent certified public accountants to audit the consolidated financial statements of the Company for the year ending February 28, 2006. Representatives of Grant Thornton LLP are expected to be present at the Annual Meeting of Stockholders with the opportunity to make a statement if they desire to do so and to respond to appropriate questions posed by stockholders. The Company has not had any changes in or disagreements with its independent accountants on accounting or financial disclosure issues. If the stockholders do not ratify the appointment of Grant Thornton LLP, the Company will select other independent accountants.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS THE COMPANY'S INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS FOR THE YEAR ENDING FEBRUARY 28, 2006.

**Annual Report**

The Company's Annual Report to Stockholders, including financial statements for the year ended February 28, 2005, is being distributed to all stockholders of the Company together with this proxy statement, in satisfaction of the requirements of the Securities and Exchange Commission. Additional copies of such report are available upon request. Upon written request, the Company will provide stockholders with a copy of its Annual Report on Form 10-K filed with the Securities and Exchange Commission (including financial statements and schedules thereto) for the fiscal year ended February 28, 2005, without charge. Please direct written requests to: Marc Applebaum, Q.E.P. Co., Inc., 1081 Holland Drive, Boca Raton, Florida 33487.

**Proposals of Stockholders**

Pursuant to Rule 14a-8 under the Exchange Act, stockholders of the Company may present proper proposals for inclusion in the Company's Proxy Statement and form of proxy for consideration at the next annual meeting by submitting their proposals to the Company in a timely matter. Any stockholder of the Company who wishes to submit a proposal for inclusion in the Proxy Statement and form of proxy for action at the Year 2006 Annual Meeting of Stockholders of the Company must comply with the Company's Bylaws and the rules and regulations of the SEC then in effect. Such proposal must be mailed to the Company at its principal executive offices, Q.E.P. Co., Inc., 1081 Holland Drive, Boca Raton, Florida 33487, Attn: Marc Applebaum, and must be received by the Company by March 16, 2006. In any event, any such proposal will be considered untimely for purposes of Exchange Act Rule 14a-5(e)(2), and any proxy granted with respect to the 2006 Annual Meeting of Stockholders will confer discretionary authority to vote with respect to such proposal, if notice of such proposal is not received by the Company before May 30, 2006.

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**Q.E.P. CO., INC.**

**1081 Holland Drive**

**Boca Raton, Florida 33487**

**PROXY**

***THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY FOR USE AT THE 2005 ANNUAL MEETING OF THE COMPANY S STOCKHOLDERS.***

The undersigned hereby appoints Lewis Gould and Marc P. Applebaum, or either of them, as Proxies, each with the power to appoint his substitute, and hereby authorizes them or their substitutes to represent and to vote, as designated below, all the shares of stock of Q.E.P. Co., Inc. held of record by the undersigned at the close of business on July 14, 2005, at the annual meeting of stockholders to be held on July 27, 2005 or any adjournment thereof.

1. ELECTION OF DIRECTORS

.. FOR all nominees listed below

.. WITHHOLD AUTHORITY

(INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, STRIKE A LINE THROUGH THE NOMINEE S NAME IN THE LIST BELOW)

GEARY COTTON  
CHRISTIAN NAST

LEONARD GOULD

LEWIS GOULD  
EMIL VOGEL

2. PROPOSAL TO RATIFY THE APPOINTMENT OF GRANT THORNTON LLP AS THE COMPANY S INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDING FEBRUARY 28, 2006.

.. FOR

.. AGAINST

.. ABSTAIN

3. IN THEIR DISCRETION THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING, OR ANY POSTPONEMENT OR ADJOURNMENT THEREOF.

*(Continued on reverse side)*

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THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1 AND 2.

DATED: \_\_\_\_\_ 2005

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Signature

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Signature if held jointly

Please sign exactly as name appears on this proxy. When shares are held by joint tenants, both should sign. When signing as attorney, as executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

**PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY**

**USING THE ENCLOSED ENVELOPE**