SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________________ to ______________________

Commission File Number: 1-11692

Ethan Allen Interiors Inc.
(Exact name of registrant as specified in its charter)

Delaware	06-1275288
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer ID No.)

Ethan Allen Drive, Danbury, Connecticut 06811
(Address of principal executive offices)

(203) 743-8000
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X] Yes [ ] No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

[ ] Yes [ ] No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

38,737,509 at March 31, 2002

ETHAN ALLEN INTERIORS INC.
AND SUBSIDIARY
INDEX

PAGE

Part I. Financial Information:

Item 1. Consolidated Financial Statements as of March 31, 2002 (unaudited) and June 30, 2001 and for the three and nine months ended March 31, 2002 and 2001 (unaudited)

Consolidated Balance Sheets 2

Consolidated Statements of Operations 3

Consolidated Statements of Cash Flows 4

Consolidated Statements of Shareholders' Equity 5

Notes to Consolidated Financial Statements 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 11

Item 3. Quantitative and Qualitative Disclosures about Market Risk 16

Part II. Other Information: 17

Item 1. Legal Proceedings

Item 2. Changes in Securities and Use of Proceeds

Item 3. Defaults Upon Senior Securities

Item 4. Submission of Matters to a Vote of Security Holders

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

Signatures 18

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Balance Sheets
(Dollars in thousands)

<TABLE>
<CAPTION>

<S>	March 31, 2002 (unaudited) <C>	June 30, 2001 <C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 62,260	$ 48,112
Accounts receivable, less allowances of $2,547 and $2,679 at March 31, 2002 and June 30, 2001, respectively	33,668	33,055
Inventories	167,207	176,036
Prepaid expenses and other current assets	19,601	18,085
Deferred income taxes	13,054	14,789
Total current assets	295,790	290,077
Property, plant and equipment, net	293,741	268,659
Intangibles, net	71,610	52,863

Other assets	6,777	7,519
Total assets	$ 667,918	$ 619,118
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long term debt	$ 110	$ 131
Accounts payable	77,840	63,788
Accrued compensation and benefits	28,320	27,766
Accrued expenses	14,936	16,169
Total current liabilities	121,206	107,854
Long-term debt	9,239	9,356
Other long-term liabilities	2,091	2,712
Deferred income taxes	33,118	34,413
Total liabilities	165,654	154,335
Shareholders' equity:		
Class A common stock, par value $.01, 150,000,000 shares authorized, 45,231,942 and 45,138,046 shares issued at March 31, 2002 and June 30, 2001, respectively	452	451
Preferred stock, par value $.01, 1,055,000 shares authorized, no shares issued and outstanding at March 31, 2002 and June 30, 2001	-	-
Additional paid-in capital	276,917	274,645
	277,369	275,096
Less: Treasury stock (at cost), 6,494,435 shares at March 31, 2002 and 5,735,284 shares at June 30, 2001	(150,619)	(129,562)
Retained earnings	375,514	319,249
Total shareholders' equity	502,264	464,783
Total liabilities and shareholders' equity	$ 667,918	$ 619,118

See accompanying notes to consolidated financial statements.
</TABLE>

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Operations
(Unaudited)
(Amounts in thousands, except per share data)

<TABLE>
<CAPTION>

	Three Months Ended March 31,		Nine Months Ended March 31,
	2002	2001	2002

				2001
<S>	<C>	<C>	<C>	<C>
Net sales	$ 227,917	$ 233,791	$ 657,499	$ 677,689
Cost of sales	119,481	130,280	351,714	366,732
Gross profit	108,436	103,511	305,785	310,957
Operating expenses:				
Selling	41,461	41,550	120,185	120,933
General and administrative	30,973	30,768	89,857	88,658
Total operating expenses	72,434	72,318	210,042	209,591
Operating income	36,002	31,193	95,743	101,366
Interest and other miscellaneous income, net	1,063	1,188	2,621	1,829
Interest and other related financing costs	137	178	462	563
Income before income taxes	36,928	32,203	97,902	102,632
Income tax expense	13,959	12,173	37,007	38,795
Net income	$ 22,969	$ 20,030	$ 60,895	$ 63,837
PER SHARE DATA:				
Basic earnings per common share:				
Net income per basic share	$ 0.59	$ 0.51	$ 1.57	$ 1.62
Basic weighted average common shares outstanding	38,734	39,397	38,711	39,386
Diluted earnings per common share:				
Net income per diluted share	$ 0.58	$ 0.50	$ 1.52	$ 1.59
Diluted weighted average common shares outstanding	39,898	40,442	39,983	40,267

See accompanying notes to consolidated financial statements.
</TABLE>

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in thousands)

<TABLE>
<CAPTION>

	Nine Months Ended March 31, 2002	2001
<S>	<C>	<C>
Operating activities:		
Net income	$ 60,895	$ 63,837
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,271	14,710
Compensation (income) expense related to restricted stock award	(40)	324
Provision (benefit) for deferred income taxes	440	(1,470)
Other non-cash (income) expense	(1,069)	(1,621)
Change in assets and liabilities, net of the effects from acquired and divested businesses:		
Accounts receivable	(3,213)	(2,936)
Inventories	21,675	(11,814)
Prepaid and other current assets	532	(4,441)
Other assets	(292)	(1,576)
Accounts payable	2,203	11,332
Income taxes payable	4,758	(21)
Accrued expenses	(1,044)	3,664
Other liabilities	(621)	438
Net cash provided by operating activities	98,495	70,426
Investing activities:		
Proceeds from the disposal of property, plant and equipment	4,694	6,965
Capital expenditures	(22,289)	(31,449)
Acquisitions	(42,386)	(9,722)
Other	103	329
Net cash used in investing activities	(59,878)	(33,877)
Financing activities:		
Borrowings on revolving credit facilities	-	1,500
Payments on revolving credit facilities	-	(9,500)
Other payments on long-term debt and capital leases	(138)	(287)

Net proceeds from issuance of common stock	1,383	603
Dividends paid	(4,657)	(4,707)
Payments to acquire treasury stock	(21,057)	(625)
Net cash used in financing activities	(24,469)	(13,016)
Net increase in cash and cash equivalents	14,148	23,533
Cash and cash equivalents at beginning of period	48,112	14,024
Cash and cash equivalents at end of period	$ 62,260	$ 37,557

</TABLE>

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Shareholders' Equity
Nine Months Ended March 31, 2002
(Unaudited)
(Dollars in thousands)

<TABLE>
<CAPTION>

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance at June 30, 2001	$ 451	$274,645	$(129,562)	$319,249	$464,783
Issuance of 93,896 shares of common stock upon the exercise of stock options	1	1,342	-	-	1,343
Purchase of 759,151 shares of treasury stock	-	-	(21,057)	-	(21,057)
Tax benefit associated with the exercise of employee stock options	-	843	-	-	843
Charge for early vesting of stock options	-	87	-	-	87
Dividends declared on common stock	-	-	-	(4,630)	(4,630)
Net income	-	-	-	60,895	60,895
Balance at March 31, 2002	$ 452	$276,917	$(150,619)	$375,514	$502,264

=========
</TABLE>

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(unaudited)

(1) Basis of Presentation

Ethan Allen Interiors Inc. (the "Company") is a Delaware corporation incorporated on May 25, 1989. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Ethan Allen Inc. ("Ethan Allen") and Ethan Allen's subsidiaries. All of Ethan Allen's capital stock is owned by the Company. The Company has no other assets or operating results other than those associated with its investment in Ethan Allen.

(2) Interim Financial Presentation

All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements. In the opinion of the Company, all adjustments, consisting only of normal recurring accruals necessary for fair presentation, have been included in the financial statements. The results of operations for the three and nine months ended March 31, 2002, are not necessarily indicative of results for the fiscal year. It is suggested that the interim consolidated financial statements are read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended June 30, 2001.

Certain reclassifications have been made to prior year financial information in order to conform to the current year's presentation. These changes were made for disclosure purposes only and did not have an impact on previously reported results of operations or shareholders' equity.

(3) Inventories

Inventories at March 31, 2002 and June 30, 2001 are summarized as follows (dollars in thousands):

	March 31, 2002	June 30, 2001
Finished goods	$113,699	$115,661
Work in process	16,116	19,521
Raw materials	37,392	40,854
	$167,207	$176,036

(4) Goodwill and Other Intangible Assets

On July 1, 2001, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets". Upon evaluation of the Company's intangible assets, it was determined that product technology of $18.2 million recorded as an intangible asset was not a separate legal asset apart from goodwill and was reclassed to goodwill during the three months ended March 31, 2002. Including this adjustment, the Company had goodwill (net of accumulated amortization) of $51.9 million and intangible assets (net of accumulated amortization) of $19.7 million as of March 31, 2002. Goodwill in the wholesale and retail segments was $27.5 million and $24.4 million, respectively. The wholesale segment includes intangible assets of $19.7 million consisting of Ethan Allen trade names, which were formerly being amortized over 40 years. The Company has re-assessed the useful lives of goodwill and intangible assets and both were deemed to have indefinite useful lives. Amortization of these assets ceased on July 1, 2001. No impairment losses were recorded on these intangible assets due to the adoption.

(4) Goodwill and Other Intangible Assets (continued)

The following table reconciles the Company's reported net income and earnings per share with pro forma balances from previous periods adjusted to exclude goodwill amortization, which is no longer recorded under SFAS No. 142. The current quarter's net income and earnings per share are presented for comparative purposes only.

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001	Nine Months Ended March 31, 2002	Nine Months Ended March 31, 2001
Net Income:				
Reported net income	$22,969	$20,030	$60,895	$63,837
Add back: Goodwill amortization after-tax	-	173	-	519
Add back: Intangible asset amortization after-tax	-	110	-	329
Adjusted net income	$22,969	$20,313	$60,895	$64,685
Basic Earnings per Share:				
Reported earnings per share	$ 0.59	$ 0.51	$ 1.57	$ 1.62
Goodwill amortization	-	0.01	-	0.01
Intangible asset amortization	-	-	-	0.01
Adjusted earnings per share	$ 0.59	$ 0.52	$ 1.57	$ 1.64
Diluted Earnings per Share:				
Reported earnings per share	$ 0.58	$ 0.50	$ 1.52	$ 1.59
Goodwill amortization	-	-	-	0.01
Intangible asset amortization	-	-	-	0.01
Adjusted earnings per share	$ 0.58	$ 0.50	$ 1.52	$ 1.61

(5) Restructuring and Impairment Charge

In the fourth quarter of fiscal year 2001, the Company announced the closure of three of its manufacturing facilities and the elimination of approximately 350 employees effective August 6, 2001. A pre-tax restructuring and impairment charge of $6.9 million was recorded in the fourth quarter of the prior year for costs associated with the plant closings, of which $3.3 million principally related to employee severance, benefits costs and plant exit costs, and $3.6 million related to a fixed asset impairment charge for real estate and machinery and equipment of the closed facilities. As of March 31,2002 the remaining restructuring reserve of $0.1 million was included in the Consolidated Balance Sheets as an accrued expense in current liabilities.

Activity in the Company's restructuring reserve is summarized as follows (dollars in thousands):

	Original Charges	Cash Payments	Non-cash Utilized	Total
Employee severance and other related payroll and benefit costs	$ 2,974	$(2,916)	$ -	$ 58
Plant exit costs and other	332	(242)	-	90
Write-down of long-term assets	3,600	-	(3,600)	-
Balance as of March 31, 2002	$ 6,906	$(3,158)	$(3,600)	$ 148

(6) Contingencies

The Company is presently a Potentially Responsible Party ("PRP") for the cleanup of three active sites currently listed or proposed for inclusion on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"). The Company has resolved its liability at one of these sites by completing remedial action activities and through legal settlement. With regards to the two sites, the Company does not anticipate incurring significant cost. The Company believes it is not a major contributor based on the very small volume of waste generated by the Company in relation to total volume at these sites; however, liability under CERCLA may be joint and several. In addition, the Company has been notified by the New York Department of Environmental Conservation of its involvement in a disposal site in western New York to which waste material was sent. The Company may be a potentially responsible party for this site; however, the extent of any financial impact upon the Company cannot be reasonably estimated at this time.

(7) Earnings per Share

Basic and diluted earnings per share are calculated using the following share data (amounts in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2002	2001	2002	2001
Weighted average common shares outstanding for basic calculation	38,734	39,397	38,711	39,386
Add: Effect of stock options	1,164	1,045	1,272	881
Weighted average common shares outstanding for				

diluted calculation	39,898	40,442	39,983	40,267

</TABLE>

As of March 31, 2002, stock options to purchase 14,200 shares of common stock had an exercise price in excess of the average market price. These options have been excluded from the diluted earnings per share calculation since their effect is anti-dilutive.

(8) Segment Information

The Company's reportable segments are strategic business areas that are managed separately and offer different products and services. The Company's operations are classified into two main segments: wholesale and retail home furnishings.

The wholesale home furnishings segment is principally involved in the manufacture, sale and distribution of home furnishing products to a network of independently owned and Ethan Allen-owned stores. Wholesale profitability includes the wholesale gross margin, which is earned on wholesale sales to all retail stores, including Ethan Allen-owned stores.

The retail home furnishings segment sells home furnishing products through a network of Ethan Allen-owned stores. Retail profitability includes the retail gross margin, which is earned based on purchases from the wholesale segment.

(8) Segment Information (continued)

The operating segments follow the same accounting policies. The Company evaluates performance of the respective segments based upon revenues and operating income. Inter-segment eliminations primarily comprise the wholesale sales and profit on the transfer of inventory between segments. Inter-segment eliminations also include items not allocated to reportable segments.

The following table presents segment information for the three and nine months ended March 31, 2002 and 2001 (dollars in thousands):

<TABLE>
<CAPTION>

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
NET SALES:				
Wholesale segment	$172,389	$188,887	$485,479	$530,220
Retail segment	115,811	104,333	331,566	311,592
Elimination of inter-company sales	(60,283)	(59,429)	(159,546)	(164,123)
Consolidated Total	$227,917	$233,791	$657,499	$677,689
OPERATING INCOME:				
Wholesale segment	$ 32,295	$ 27,262	$ 80,032	$ 82,251
Retail segment	5,305	5,038	16,034	17,077
Elimination (1)	(1,598)	(1,107)	(323)	2,038
Consolidated Total	$ 36,002	$ 31,193	$ 95,743	$101,366
CAPITAL EXPENDITURES:				
Wholesale segment	$ 2,163	$ 5,362	$ 8,910	$ 16,989
Retail segment	2,417	4,498	13,379	14,460
Acquisitions	31,902	12	42,386	9,722
Consolidated Total	$ 36,482	$ 9,872	$ 64,675	$ 41,171
TOTAL ASSETS:				

Wholesale segment	$436,386	$443,498
Retail segment	258,365	191,031
Inventory profit elimination (2)	(26,833)	(24,793)
Consolidated Total	$667,918	$609,736

(1) The adjustment reflects the change in the elimination entry for profit in ending inventory.

(2) Inventory profit elimination reflects the embedded wholesale profit in the Company-owned store inventory that has not been realized. These profits will be recorded when shipped to the retail customer.

</TABLE>

There are 29 independent retail stores located outside the United States. As of March 31, 2002 and 2001, approximately 2.0% and 2.4% of the Company's net sales are derived from sales to these retail stores.

(9) Subsequent Event

On April 30, 2002, the Company announced its plan to close its manufacturing facility in Randolph, Vermont employing approximately 154 employees. The Company will also close the lumber operations at its Orleans, Vermont facility, which will reduce the number of employees by 69 from the current employee base of 501. The Company will record an after tax restructuring charge of approximately $0.09 per diluted share in the fourth quarter ending June 30, 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussions set forth in this form 10-Q should be read in conjunction with the financial information included herein and the Company's Annual Report on Form 10-K for the year ended June 30, 2001. Management's discussion and analysis of financial condition and results of operations and other sections of this report contain forward-looking statements relating to future results of the Company. Such forward-looking statements are identified by use of forward-looking words such as "anticipates", "believes", "plans", "estimates", "expects", and "intends" or words or phrases of similar expression. These forward-looking statements are subject to various assumptions, risk and uncertainties, including but not limited to, changes in political and economic conditions, demand for the Company's products, acceptance of new products, conditions in the various geographical markets where the Company does business, developments affecting the Company's products and to those discussed in the Company's filings with the Securities and Exchange Commission. Accordingly, actual results could differ materially from those contemplated by the forward-looking statements.

RESULTS OF OPERATIONS:

Ethan Allen's revenues are comprised of wholesale sales to dealer-owned and company-owned retail stores and retail sales of company-owned stores. See Note 8 to the Company's Consolidated Financial Statements for the three and nine months ended March 31, 2002 and 2001. The components of consolidated revenues and operating income are as follows (dollars in millions):

<TABLE>
<CAPTION>

	Three Months Ended March 31,	Nine Months Ended March 31,

	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
REVENUE:				
Wholesale segment	$172.4	$188.9	$485.5	$530.2
Retail segment	115.8	104.3	331.5	311.6
Elimination of inter-segment sales	(60.3)	(59.4)	(159.5)	(164.1)
Consolidated Revenue	$227.9	$233.8	$657.5	$677.7
OPERATING INCOME:				
Wholesale segment	$ 32.3	$ 27.3	$ 80.0	$ 82.3
Retail segment	5.3	5.0	16.0	17.1
Eliminations	(1.6)	(1.1)	(0.3)	2.0
Consolidated Operating Income	$ 36.0	$ 31.2	$ 95.7	$101.4

</TABLE>

THREE MONTHS ENDED MARCH 31, 2002 COMPARED TO THREE MONTHS ENDED MARCH 31, 2001

Consolidated revenue for the three months ended March 31, 2002 decreased by $5.9 million or 2.5% to $227.9 million from $233.8 million for the three months ended March 31, 2001. Net sales for the quarter were impacted by a reduction in consumer spending caused by a weaker economy.

Total wholesale revenue for the third quarter of fiscal year 2002 decreased by $16.5 million or 8.7% to $172.4 million from $188.9 million in the prior year period due to softening demand.

Total retail revenue from Ethan Allen-owned stores for the three months ended March 31, 2002 increased by $11.5 million or 11.0% to $115.8 million from $104.3 million for the three months ended March 31, 2001. Higher retail sales were primarily attributable to acquired store sales of $22.6 million. Comparable store sales were lower by $8.7 million, or 8.7%, and closed stores generated $2.4 million less sales in fiscal year 2002 as compared to fiscal year 2001. The number of Ethan Allen-owned stores increased to 102 as of March 31, 2002 from 84 stores as of March 31, 2001. During the last twelve months, the Company acquired 20 stores from independent dealers, sold 2 company-owned stores to independent dealers, relocated 2 stores, closed 1 store, and opened 1 new store.

Comparable stores are those which have been operating for at least 15 months. Minimal net sales, derived from the delivery of customer ordered product, are generated during the first three months of operations of newly opened stores. Stores acquired from dealers by Ethan Allen are included in comparable store sales in their 13th full month of Ethan Allen-owned operations.

Booked orders for the quarter were 4.2% higher than the prior year quarter. Booked orders include wholesale orders and written business of company-owned retail stores. Wholesale orders for the third quarter increased 0.7% over the prior year third quarter. Orders for company-owned stores were up 16.3% and comparable Ethan Allen-owned store orders were down 2.3%.

Gross profit for the quarter was $108.4 million as compared to $103.5 million in the third quarter of the prior year. The increase of $4.9 million in gross profit was primarily attributable to higher retail sales from acquired stores, lower manufacturing costs, mainly favorable lumber pricing, and the impact of the price increase effective April 2001. These increases were partially offset by lower wholesale sales volume. Consolidated gross margin increased to 47.6% in the third quarter from 44.3% in the prior year third quarter principally from lower manufacturing costs, the price increase effective April 2001, greater retail sales, and a higher proportionate share of retail sales to total sales.

Operating expenses remained consistent with the prior year at $72.4 million or 31.8% of net sales in the current quarter as compared to $72.3 million or 30.9% of net sales for the third quarter of fiscal year 2001. Distribution costs were lower this quarter resulting from lower wholesale shipments. Retail delivery, warehousing and occupancy costs increased from the addition of 18 net new Ethan Allen-owned stores since March of 2001.

Operating income for the three months ended March 31, 2002 was $36.0 million or 15.8% of net sales compared to $31.2 million or 13.3% of net sales for the three months ended March 31, 2001. Operating income increased $4.8 million or 15.4% primarily due to higher wholesale gross profit mentioned above.

Total wholesale operating income for the third quarter of fiscal year 2002 was $32.3 million or 18.7% of net sales compared to $27.3 million or 14.4%

of net sales in the third quarter of fiscal year 2001. Wholesale operating income increased $5.0 million or 18.3% this quarter due to lower manufacturing costs, mainly favorable lumber pricing, lower distribution expenses resulting from a reduction in shipments, and the impact of the price increase effective April 2001. These increases were partially offset by lower wholesale sales caused by softening demand.

Operating income for the retail segment increased by $0.3 million in the third quarter to $5.3 million or 4.6% of net sales from $5.0 million or 4.8% of net sales in the third quarter of the prior year. The increase in retail operating income was attributable to greater retail volume generated by acquired stores, partially offset by higher delivery, warehousing and occupancy costs associated with the addition of 18 net new stores since March 2001.

Income tax expense of $14.0 million was recorded for the quarter versus $12.2 million recorded in the prior year quarter. The Company's effective tax rate was 37.8% in the current year and prior year third quarter.

For the three months ended March 31, 2002, net income increased 15.0% to $23.0 million as compared to $20.0 million for the three months ended March 31, 2001. Earnings per diluted share of $0.58 increased 16.0% or $0.08 per diluted share in the quarter from $0.50 per diluted share in the prior year quarter.

NINE MONTHS ENDED MARCH 31, 2002 COMPARED TO NINE MONTHS ENDED MARCH 31, 2001

Consolidated revenue for the nine months ended March 31, 2002 decreased by $20.2 million or 3.0% to $657.5 million from $677.7 million for the nine months ended March 31, 2001. Sales were impacted during the last nine months from a reduction in consumer spending caused by a weaker economy.

Wholesale revenue for the nine months ended March 31, 2002 decreased by $44.7 million or 8.4% to $485.5 million from $530.2 million for the nine months ended March 31, 2001 due to softening demand.

Total retail revenue from Ethan Allen-owned stores for the nine months ended March 31, 2002 increased by $19.9 million or 6.4% to $331.5 million from $311.6 million for the nine months ended March 31, 2001. The increase in retail sales was attributable to greater sales generated by acquired stores of $42.1 million resulting from 18 net new stores opened during the last twelve months. The increase in retail sales was partially offset by a decrease in comparable store sales of $17.2 million, or 5.7%, and a decrease from closed stores, which generated $4.1 million less sales in fiscal year 2002 as compared to fiscal year 2001. The prior year nine months ended March 31, 2001 also included a gain of $0.9 million on the sale of a company-owned retail store to an independent dealer. Of the stores acquired during the nine months ended March 31, 2002, 6 stores were purchased from Mr. Edward Teplitz, who subsequently joined the Company as Vice President of Finance (see Part II, Item 5 of the Form 10-Q filed on November 15, 2001).

Booked orders for the nine months ended March 31, 2002 were lower than the prior year by 1.2%. Booked orders include wholesale orders and written business of company-owned retail stores. Wholesale orders for the forty-week period were down 3.3% compared to a thirty-nine week period in the prior year. Orders for company-owned stores were up 7.3% and comparable Ethan Allen-owned store orders were down 4.8% using the nine month period in the current and prior year.

For the nine months ended March 31, 2002, gross profit decreased $5.2 million to $305.8 million from $311.0 in the prior fiscal year. Gross profit decreased from lower wholesale sales volume, partially offset by higher retail sales from acquired stores and from the price increase effective April 2001. Consolidated gross margin was 46.5% for the nine months ended March 31, 2002 compared to 45.9% in the comparable prior year period principally from the price increase effective April 2001, lower manufacturing costs, mainly favorable lumber pricing, greater retail sales and a higher proportionate share of retail sales to total sales. Wholesale gross margin was also negatively impacted by the production of more affordably priced products manufactured at lower margins.

Operating expenses increased $0.4 million or 0.2% to $210.0 million or 31.9% of net sales in the current nine months as compared to $209.6 million or 30.9% of net sales for the nine month period in fiscal year 2001. This increase was attributable to greater healthcare costs and higher occupancy, delivery and warehousing costs associated with the addition of 18 net new Ethan Allen-owned stores since March of 2001, partially offset by lower distribution costs resulting from a reduction in wholesale shipments.

Operating income for the nine months ended March 31, 2002 was $95.7 million or 14.6% of net sales compared to $101.4 million or 15.0% of net sales for the nine months ended March 31, 2001. Operating income decreased $5.7

million or 5.6% primarily from lower wholesale shipments and the gross margin impact mentioned above, partially offset by higher retail sales generated by acquired stores.

Total wholesale operating income for the nine month period of fiscal year 2002 was $80.0 million or 16.5% of net sales compared to $82.3 million or 15.5% of net sales in the nine month period of fiscal year 2001. Wholesale operating income decreased $2.3 million or 2.8% during the last nine months primarily from lower sales volume and the production of more affordably priced products manufactured at lower margins, partially offset by a price increase effective April 2001. Lower manufacturing costs resulting from favorable lumber pricing and lower distribution costs from reduced volumes also impacted wholesale operating income.

Operating income for the retail segment decreased by $1.1 million for the nine months ended March 31, 2002 to $16.0 million or 4.8% of net sales from $17.1 million or 5.5% of net sales for the nine months ended March 31, 2001. The decrease in retail operating income was principally due to higher retail operating expenses related to the addition of 18 net new stores since March 2001, including occupancy and delivery and warehousing costs, partially offset by higher volume generated by the acquired stores.

Interest and other miscellaneous income of $2.6 million increased $0.8 million over the prior year from an increase in interest income of $0.3 million and from proceeds received on the sale of real property.

Income tax expense of $37.0 million was recorded for the nine months ended March 31, 2002 as compared to $38.8 million for the same period in the prior year. The Company's effective tax rate was 37.8% in both the current and prior year.

For the nine months ended March 31, 2002, net income decreased 4.5% to $60.9 million as compared to $63.8 million for the nine months ended March 31, 2001. Earnings per diluted share of $1.52 decreased 4.4% or $0.07 per diluted share in the current nine months from $1.59 per diluted share in the prior year.

CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Certain estimates and assumptions have been made that affect the amounts and disclosures reported in the consolidated financial statements and the related accompanying notes. Actual results could differ from these estimates and assumptions. Management uses its best judgment in valuing these estimates and may solicit external advice. Estimates are based on current facts and circumstances, prior experience and other assumptions believed to be reasonable. Critical accounting policies that may affect the consolidated financial statements include self-insurance, restructuring and environmental liabilities, long-lived asset valuations and impairments, and inventory reserves.

FINANCIAL CONDITION AND LIQUIDITY

The Company's principal sources of liquidity are cash flow from operations and borrowing capacity under a revolving credit facility. Net cash provided by operating activities totaled $98.5 million for the nine months ended March 31, 2002 as compared to $70.4 million for the nine months ended March 31, 2001. The increase of $28.1 million in net cash provided by operating activities principally resulted from lower inventory, and to a lesser extent, from changes in other working capital balances during the nine months ended March 31, 2002 as compared to the same period in the prior year. The majority of the decrease in inventory resulted from temporary plant shutdowns during the last nine months and reductions made in on-hand raw materials.

During the nine months ended March 31, 2002, capital spending, exclusive of acquisitions, totaled $22.3 million as compared to $31.4 million for the nine months ended March 31, 2001. Capital expenditures made during the current nine months primarily included (i) new retail store construction and store interior redesigns, (ii) manufacturing capital equipment purchases and upgrades, and (iii) plant expansion projects. Capital expenditures for fiscal year 2002, exclusive of acquisitions, are anticipated to be approximately $30.0 million. The Company expects to incur additional expenditures for retail and other acquisitions during this fiscal year and anticipates that cash from operations will be sufficient to fund this level of capital expenditures and acquisitions.

Net cash used in financing activities of $24.5 million increased by

$11.5 million due to the repurchase of the Company's common stock during the nine months ended March 31, 2002. At March 31, 2002, there were no revolving loans outstanding. The Company had $19.5 million of trade and standby letters of credit outstanding, leaving $105.5 million available under its revolving credit facility at March 31, 2002. Total debt outstanding at March 31, 2002 was $9.3 million

The Company has been authorized by its Board of Directors to repurchase its common stock from time to time, either directly or through agents, in the open market at prices and on terms satisfactory to the Company. The Company also repurchases shares of common stock from terminated or retiring employee's accounts in the Ethan Allen Retirement Saving Plan and the Company retires shares of unvested restricted stock. The Company's common stock repurchases are recorded as treasury stock and result in a reduction of shareholders' equity.

For the nine months ended March 31, 2002 and 2001, the Company repurchased the following shares of its common stock (excluding retirements):

	Nine Months Ended March 31, 2002	2001
Cost to repurchase common shares	$21,056,478	$670,868
Common shares repurchased	741,151	22,700
Average price per share	$28.41	$29.55

The Company funded its common stock repurchases through available cash and cash from operations. As of March 31, 2002, the Company had a remaining Board authorization to purchase 2,000,000 shares of common stock.

As of March 31, 2002, aggregate scheduled maturities of long-term debt for each of the next five fiscal years were $0.1 million, $0.1 million, $4.7 million, $0.1 million and $0.1 million, respectively. Management believes that its cash flow from operations, together with its other available sources of liquidity, will be adequate to make all required payments of principal and interest on its debt, to permit anticipated capital expenditures and acquisitions and to fund working capital and other cash requirements over the next twelve months. As of March 31, 2002, the Company had working capital of $174.6 million and a current ratio of 2.44 to 1.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

As of March 31, 2002, the Company was essentially debt-free. Cash and short-term investments totaled $62.3 million and there were no revolving loans outstanding under the Credit Facility. Current debt as of March 31, 2002 was $0.1 million and total long-term debt outstanding was $9.2 million.

The Company is exposed to interest rate risk primarily through its borrowing activities. The Company's policy has been to utilize United States dollar denominated borrowings to fund its working capital and investment needs. Short term debt, if required, is used to meet working capital requirements and long term debt is generally used to finance long term investments. There is inherent roll-over risk for borrowings as they mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and the Company's future financing requirements.

The Company has one long-term debt instrument outstanding with a variable interest rate. This debt instrument has a principal balance of $4.6 million, which matures in 2004. Based on the principal balance outstanding, a one percentage point increase in the variable interest rate would not have had a significant impact on the Company's interest expense.

Currently, the Company does not enter into financial instrument transactions for trading or other speculative purposes or to manage interest rate exposure.

PART II. OTHER INFORMATION

ITEM 1. - LEGAL PROCEEDINGS

There has been no change to matters discussed in Business-Legal Proceedings in the Company's Form 10-K as filed with the Securities and Exchange Commission on September 17, 2001.

ITEM 2. - CHANGES IN SECURITIES

None.

ITEM 3. - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. - OTHER INFORMATION

None.

ITEM 6. - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit 10(k)-2 Second Amendment to Amended and Restated Consumer Credit Card Program Agreement, dated as of February 1, 2002, by and among the Company and Monogram Credit Card Bank of Georgia.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the reporting period.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ETHAN ALLEN INTERIORS INC.
(Registrant)

DATE: 05/13/02 BY: /s/ M. Farooq Kathwari

M. Farooq Kathwari
Chairman of the Board
President and Chief
Executive Officer
(Principal Executive Officer)

DATE: 05/13/02 BY: /s/ Edward D. Teplitz

Edward D. Teplitz
Vice President, Finance
(Principal Financial Officer)

DATE: 05/13/02 BY: /s/ Michele Bateson

Michele Bateson
Corporate Controller
(Principal Accounting Officer)

EXHIBIT 10(k)-2

SECOND AMENDMENT TO AMENDED AND RESTATED
CONSUMER CREDIT CARD PROGRAM AGREEMENT

This Amendment dated as of February 1, 2002 ("Amendment") amends that certain Amended and Restated Consumer Credit Card Program Agreement dated as of February 22, 2000 (as amended, modified and supplemented from time to time, the "Agreement") by and among Monogram Credit Card Bank of Georgia ("Bank") and Ethan Allen Inc. ("Retailer"). Capitalized terms used herein and not otherwise defined have the meaning given in the Agreement.

WHEREAS, Bank and Retailer are parties to the Agreement and it is their mutual desire that the Agreement be amended in accordance with the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and subject to the terms and conditions hereinafter set forth, the parties hereby agree as follows:

I. AMENDMENTS TO THE AGREEMENT

1.01 New Definitions. The following is added as a new defined term:

"APR Increase" shall have the meaning given to such term in Section 6.01 hereof.

"APR Increase Notice" shall have the meaning given to such term in Section 6.01 hereof.

"APR Spreader" means the number of basis points (expressed as a percentage) to be added to the Prime Rate to establish the rate for ordinary finance charges to be applied to Indebtedness on Accounts and shall be set and reset from time to time in accordance with the terms of Section 6.01 hereof.

"Fee Increase" shall have the meaning given to such term in Section 6.02(a) hereof.

"Fee Increase Notice" shall have the meaning given to such term in Section 6.02(a) hereof.

"Pricing Review Period" means the ninety (90) days period immediately preceding the second anniversary of the Second Amendment Effective Date.

"Prime Rate" means the highest bank prime or reference loan rate as published in the Wall Street Journal in its "Money Rates" section (or if the Wall Street Journal shall cease to be published or to publish such rates, in such other publication as

Bank may, from time to time, specify) on the last calendar day (that the Wall Street Journal is published) of the immediately preceding calendar month whether or not such rate is actually ever charged or paid by any entity.

"Retailer/Dealer Fee" means a fee payable under Section 6.02 hereof by either Retailer or an Authorized Dealer calculated as the product of (i) the Retailer/Dealer Fee Percentage and (ii) the total face amount of each Promotional Credit Sale Charge Slip. All references to "Service Fee" throughout the Agreement are changed to "Retailer/Dealer Fee," and the definition of "Service Fee" is replaced by this definition of "Retailer/Dealer Fee."

"Retailer/Dealer Fee Percentage" means the percentage identified as the "Retailer/Dealer Fee Percentage" in Section 6.02(a) hereof and used in calculating the Retailer/Dealer Fee, as adjusted from time to time as set forth in Section 6.02.

"Second Amendment Effective Date" means February 1, 2002.

1.02 Amendment to Definitions. The following definition is amended and restated to read as follows:

"Credit Card" or "Card" means the plastic card issued by Bank under the Program exclusively for use with the Program which evidences a Cardholder's right to make Purchases under the Program.

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respected to the omitted portions.

1.03 Amendment to Section 3.04(a). The following is added at the end of Section 3.04(a):

> Retailer acknowledges that neither the Cardholder List nor any of the Account Documentation nor any of the information included in the Cardholder List or any of the Account Documentation will be deemed to be Confidential Information of Retailer or supplied to Bank by for purposes of Section 14.14 hereof. This Section 14.14 is not intended to affect the parties' rights or obligations under the Privacy Amendment to Consumer Credit Card Program Agreement dated as of May 15, 2001.

1.04 Amendment to Section 6.01. Section 6.01 is hereby deleted entirely and replaced with the following:

> Section 6.01 Credit Terms. Bank shall have the sole right to establish the rate, annual fees, late fees and all other terms and conditions relating to the Accounts, and to amend or modify such rate, fees and/or other terms and

> conditions from time to time. On or after the Second Amendment Effective Date, Bank intends to establish as the regular finance charge rate the following:
>
> All jurisdictions:
>
> A variable Annual Percentage Rate equal to the sum of the Prime Rate + the APR Spreader except that, subject to Bank's right to change the APR Spreader, the Minimum Rate and/or the Maximum Rate as set forth below, (a) on any day when the sum of the Prime Rate + the APR Spreader is less than 21.0% per annum, the Annual Percentage Rate will equal 21.0% per annum (the "Minimum Rate"); and (b) on any day when the sum of the Prime Rate + the APR Spreader is more than 23.75% per annum, the Annual Percentage Rate will equal 23.75% per annum (the "Maximum Rate").
>
> As of the Second Amendment Effective Date, the initial APR Spreader shall be 13.95%. At any time thereafter, Bank, in its sole discretion, may change any or all of the APR Spreader, the Minimum Rate and the Maximum Rate. Any reduction in the APR Spreader, the Minimum Rate and/or the Maximum Rate shall become effective immediately upon the later of (i) the date when Retailer receives Bank's written notice of such reduction or (ii) the date designated in such notice as the effective date of such change. Any increase in the APR Spreader, the Minimum Rate and/or the Maximum Rate (an "APR Increase") shall become effective immediately upon the later of (i) 90 days after the date when Retailer receives Bank's written notice of such increase (a "APR Increase Notice") or (ii) the date designated in such APR Increase Notice as the effective date of such change. If Bank gives Retailer an APR Increase Notice, then Retailer shall be entitled to terminate the Operation Period pursuant and subject to the provisions of Section 11.02(j), but Retailer's objection to an APR Increase or its election to terminate the Operation Period shall not change the date when such APR Increase becomes effective. The parties understand and agree that changes in the Prime Rate shall not give Retailer any right to terminate the Operation Period, in the absence of an increase in the APR Spreader, the Minimum Rate or the Maximum Rate. Without limiting Bank's discretion to establish, amend or modify late fees from time to time in the future, upon the effective date of this Amendment, the late fee shall be $29.

1.05 Amendment to Section 6.02(a). Section 6.02(a) is hereby*

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respected to the omitted portions.

1.06 Amendment to Section 6.03. Section 6.03(a) is hereby *

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

1.07 Amendment to Section 6.04. Section 6.04 is hereby deleted in its entirety and replaced with the following:

[Intentionally Omitted]

1.08 Amendment to Section 6.05. Section 6.05(a) of the Agreement is hereby*

* Certain information on this page has been omitted and filled separately with the Commission. Confidential treatment has been requested has been requested with respect to the omitted portions.

1.10 Amendment to Section 6.06. The following is added at the end of Section 6.06 of the Agreement:

> Notwithstanding the foregoing, neither Retailer nor Bank shall be obligated to pay any amount under Section 6.06(a) or 6.06(b) with respect to any Billing Period that ends after April 5, 2003.

1.11 Amendment to Section 11.01. The first sentence of Section 11.01 is hereby deleted and replaced with the following:

> The Operation Period shall continue from the Effective Date until April 5, 2007 (the "Initial Term").

1.12 Amendment to Section 11.02(j). The following is *

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

1.12 Amendment to Section 11.02(k). The following is *

* Certain information on this page has been omitted and filed separately with ther Commission. Confidential treatment has been requested with respect to the omitted portions.

1.14 Amendment to Schedule 4. Schedule 4 to the Agreement is hereby amended by deleting the Discount Matrix in its entirety and replacing it with the following:

[Intentionally Omitted].

1.15 Amendment to Bank Dealer Agreement. Retailer acknowledges that, concurrently with this Agreement, the Bank Dealer Agreements will be amended in substantially the form set forth in Exhibit A hereto. Retailer agrees to cooperate in any manner requested by Bank in distributing such amendment to all Authorized Dealers.

II.GENERAL

2.01 Authority for Amendment. The execution, delivery and performance of this Amendment has been duly authorized by all requisite corporate action on the part of Retailer and Bank and upon execution by all parties, will constitute a legal, binding obligation thereof.

2.02 Effect of Amendment. Except as specifically amended hereby, the Agreement, and all terms contained therein, remains in full force and effect. The Agreement, as amended by this Amendment, constitutes the entire understanding of the parties with respect to the subject matter hereof.

2.03 Binding Effect; Severability. Each reference herein to a party hereto shall be deemed to include its successors and assigns, all of whom shall be bound by this Amendment and in whose favor the provisions of this Amendment shall inure. In case any one or more of the provisions contained in this Amendment shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

2.04 Further Assurances. The parties hereto agree to execute such other documents and instruments and to do such other and further things as may be necessary or desirable for the execution and implementation of this Amendment and the consummation of the transactions contemplated hereby and thereby.

2.05 Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Georgia.

2.06 Counterparts. This Amendment may be executed in counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their duly authorized officers, all as of the day and year first above written.

ETHAN ALLEN INC. MONOGRAM CREDIT CARD BANK OF GEORGIA

By: /s/ M. Farooq Kathwari
Its: President

By: /s/ A. Borchen
Its: Assistant Vice President

CONSENT OF GUARANTOR

Each of Ethan Allen Manufacturing Corporation and Ethan Allen Marketing Corporation (without implying that such consent or agreement is required) hereby consents to the foregoing Amendment and agrees that the Subsidiary Guarantee that it executed in Bank's favor in connection with the Agreement (the "Guaranty") shall continue to guarantee the Guaranteed Debt (as defined therein) now or hereafter owing under or in connection with the Agreement as amended, restated, supplemented or replaced from time to time, including, without limitation, as the Agreement is amended by the foregoing Amendment.

ETHAN ALLEN MANUFACTURING CORPORATION

By: /s/ M. Farooq Kathwari
Title: President

ETHAN ALLEN MARKETING CORPORATION

By: /s/ M. Farooq Kathwari
Title: President

CONSENT OF ETHAN ALLEN INTERIORS INC.

Ethan Allen Interiors Inc. (without implying that such consent or agreement is required) hereby consents to the foregoing Amendment and agrees that its undertakings set forth below Retailer's signature in the Agreement remain in effect and that, any guarantee executed pursuant to such undertakings shall, in accordance with the terms of Exhibit C to the Agreement, guarantee the Guaranteed Debt (as defined therein) now or hereafter owing under or in connection with the Agreement as amended, restated, supplemented or replaced from time to time, including, without limitation, as the Agreement is amended by the foregoing Amendment.

ETHAN ALLEN INTERIORS INC.

By: /s/ M. Farooq Kathwari
Title: President

EXHIBIT A
(To Second Amendment to Amended and Restated Consumer Credit Card Program Agreement)

FIRST AMENDMENT TO AMENDED AND RESTATED ETHAN ALLEN CREDIT CARD PROGRAM DEALER AGREEMENT

THIS FIRST AMENDMENT (this "Amendment") amends the Amended and Restated Ethan Allen Credit Card Program Dealer Agreement (as amended from time to time, the "Dealer Agreement") between the Authorized Dealer of Ethan Allen, Inc. who is named as the addressee the letter accompanying this Amendment ("Dealer," "us," "we," or "our") and Monogram Credit Card Bank of Georgia ("Bank" or "you"). Capitalized terms used in this Amendment, and not otherwise defined herein, will have the meanings given in the Dealer Agreement.

1. AMENDMENT TO SECTION 11. Section 11 of the Dealer Agreement is amended and restated to read as follows:

SERVICE FEES. (a) Bank, at our request, may offer to Cardholders purchasing in our Authorized Dealer Stores the Credit-based Promotions described in this paragraph in accordance with subsection (b) below. If we participate in a Credit-based Promotion, we shall pay a Service Fee on the total face amount of each Promotional Credit Sale Charge Slip submitted by us in connection with such Credit-based Promotions minus any amount that Ethan Allen may in its discretion determine to pay to Bank on our behalf as follows:

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

Bank, at our request, may offer to Cardholders purchasing in our Authorized Dealer Stores Credit-based Promotions of the type specified above but, notwithstanding anything contained herein to the contrary, Bank may, from time to time, in its sole discretion, modify the Service Fees charged in connection with such Credit-based Promotions. If we participate in such a Credit-based Promotion, we shall pay the Service Fee set by you on the total amount of each Promotional Credit Sale Charge Slip submitted by us in connection therewith minus any amount that Ethan Allen may in its discretion determine to pay on our behalf.

(b) From and after the date Bank gives Retailer written notice requiring the following procedure, at least fifteen (15) days prior to the proposed commencement of any Credit-based Promotion (other than those identified in Paragraph 11(a)(i) as Code 9603 or 9606 promotions which have already been approved by Bank), Dealer shall submit the proposal for such Credit-based Promotion to Bank for prior approval and acceptance by Bank of the type, promotional offer period, and terms of any such promotional offer. Upon approval by Bank, and subject to compliance with applicable law, Bank and Dealer shall complete and execute an addendum to this Agreement, in the form and substance required by Bank, confirming the Service Fee in effect for such Credit-based Promotion, subject to the permitted modifications thereof described in Paragraph 11(a) and (d), and other terms of any such promotional offer.

(c) You may deduct amounts due and payable by us to you from any sums or obligations you owe to us, including the payments due for any Charge Slips.

2. SCHEDULE 11(C). Schedule 11(c) to the Dealer Agreement is hereby deleted.

3. AGREEMENT REMAINS EFFECTIVE. Except as amended by this Amendment, the Dealer Agreement as originally entered into remains in full force and effect.

4. AGREEMENT BY SUBMISSION; EFFECTIVE DATE. As provided in Section 19 of the Dealer Agreement, Dealer will be deemed to have agreed to this Amendment, and it will become immediately effective, when Dealer submits any Charge Slip or Credit Slip to Bank for approval or payment after February 6, 2002.