UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[x] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [Fee Required]

For the fiscal year ended June 30, 1996

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [Fee Required]

For the transition period from________________________to___________________

Commission file Number 1-11806

Ethan Allen Interiors Inc.; Ethan Allen Inc.; Ethan Allen Finance Corporation;
Ethan Allen Manufacturing Corporation

(Exact name of registrant as specified in its charter)

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

Ethan Allen Drive, Danbury, CT 06811

(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, $.01 par value	New York Stock Exchange, Inc.
8-3/4% Senior Notes due 2001	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:
None

(Title of class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of Common Stock, par value $.01 per share held by non-affiliates (based upon the closing sale price on the New York Stock Exchange) on August 28, 1996 was approximately $386,208,128. As of August 28, 1996, there were 14,370,535 shares of Common Stock, par value $.01 outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The definitive Proxy Statement for the 1996 Annual Shareholders Meeting is incorporated by reference into Part III hereof.

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PART I

Item 1. Business

Ethan Allen Inc. ("Ethan Allen") is a leading manufacturer and retailer of quality home furnishings, offering a full range of furniture products and accessories. Ethan Allen was founded in 1932 and has sold products since 1937 under the Ethan Allen brand name. Ethan Allen Interiors Inc. (the "Company") is a Delaware corporation, incorporated in 1989.

Industry Segments

The Company's operations are classified into two business 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. The retail home furnishings segment sells home furnishing products through a network of Ethan Allen-owned stores. These products consist of case goods (wood furniture), upholstered products, and home accessories. Refer to the information appearing in the section captioned "Segment Information" in the Company's Financial Statements on page 36.

Narrative Description of Business

Ethan Allen manufactures and distributes three principal product lines: (i) case goods (wood furnishings), consisting primarily of bedroom and dining room furniture, wall units and tables; (ii) upholstered products, consisting primarily of sofas, loveseats, chairs, recliners and swivel rockers; and (iii) home furnishing accessories including carpeting and area rugs, lighting products, clocks, wall decor, bedding ensembles, draperies and decorative accessories. The following table shows the approximate percentage of wholesale sales of home furnishing products for each of these product lines during the three most recent fiscal years:

	Fiscal Year Ended June 30:		
	1996	1995	1994

Case Goods	58%	60%	61%
Upholstered Products	30	28	28
Home Furnishing Accessories	12	12	11
	100%	100%	100%

Ethan Allen's product strategy has been to expand its home furnishings collections to appeal to a broader consumer base while providing good quality and value. Ethan Allen continuously monitors consumer demands through marketing research and through consultation with its dealers and gallery designers who provide valuable input on consumer tastes and needs. As a result, the Company is able to react quickly to changing consumer tastes and has added eight major new home furnishing collections in the past five years. In addition, Ethan Allen continuously refines and enhances each collection by adding new pieces and, as appropriate, discontinuing or redesigning pieces. This allows the Company to maintain focused lines within each style category which enhances efficiencies. In fiscal 1996, a new formal collection, Regents Park, and a new classic elegance collection, British Classics, were introduced.

Current products are positioned in terms of selection, quality and value within what management believes are the four most important style categories in home furnishings today: Formal, American Country, Casual Contemporary, and Classic Elegance.

Ethan Allen's products are grouped into collections within these four style categories. Each collection includes case goods, upholstered products and accessories, each styled with distinct design characteristics. Accessories, including lighting, floor covering, wall decor, draperies and textiles, play an important role in Ethan Allen's marketing program as this enables Ethan Allen to provide a complete home furnishings collection. Ethan Allen's showcase gallery concept allows for the display of these categories in complete room settings which utilize the related collections to project the category lifestyle.

The following is a summary of Ethan Allen's major categories of home furnishing collections:

<TABLE>
<CAPTION>

CATEGORY	PRINCIPAL STYLE CHARACTERISTICS	HOME FURNISHING COLLECTIONS	CASE GOOD WOOD TYPE	YEAR OF INTRODUCTION
<S>	<C>	<C>	<C>	<C>
Formal	An opulent style, which includes English 18th Century and 19th Century Neo-Classic styling.	Georgian Court	Cherry	1965
		Medallion	Cherry	1990
		18th Century	Mahogany	1987
		Regents Park	Cherry	1995
American Country	Updated country style.	Farmhouse Pine	Pine	1988
		Country Crossings	Maple	1993
		Country Colors	Maple	1995
Casual Contemporary	This style is based on classic contemporary design elements.	American Impressions	Cherry	1992
		American Dimensions	Maple	1992
		Radius	Prima Vera	1994
Classic Elegance	A relaxed yet sophisticated mix of furnishings inspired by designs found in the countryside of Europe.	Country French	Birch	1984
		Collectors Classics	Various	Various
		Legacy Collection	Maple	1992
		British Classics	Maple	1995

</TABLE>

Ethan Allen Gallery Network

Ethan Allen Galleries. Ethan Allen's products are sold by a network of 288 Ethan Allen galleries which exclusively sell Ethan Allen's products. Home Furniture Today (a leading industry publication) published a survey of America's top 100 furniture retailers for 1995, which ranked Ethan Allen's gallery network as the largest furniture retail network in the United States utilizing the gallery retailing concept. As of June 30, 1996, Ethan Allen owned and operated 60 North American galleries and independent dealers owned and operated 217 North American galleries and 11 galleries are located abroad. The Company closed 14 smaller under-performing Japanese dealer-owned stores in 1996, and replaced them with 3 much larger high volume dealer-owned stores in significant markets in and around Tokyo. In the past six years, Ethan Allen has opened over 100 new stores, many of them relocations. Sales to independent dealer-owned stores accounted for approximately 65% of total net sales of the Company in fiscal 1996. The ten largest independent dealers own a total of 19 galleries, which accounted for approximately 22% of net orders booked in fiscal 1996.

Ethan Allen desires to maintain independent ownership of most of its retail galleries and has an active program to identify and develop new independent dealers. Independent dealers are required to enter into license agreements with Ethan Allen authorizing the use of certain Ethan Allen service marks and requiring adherence to certain standards of operation. These standards include the exclusive sale of Ethan Allen products. Additionally, dealers are required to enter into warranty service agreements. Ethan Allen is not subject to any territorial or exclusive dealer agreements in the United States.

Showcase Gallery Concept. Each independent and Ethan Allen-owned gallery employs a consistent showcase gallery concept wherein products are displayed in complete room ensembles, which include furnishings, wall decor, window treatments, floor coverings, accents and accessories. Management believes that the gallery concept results in higher sales of Ethan Allen products by encouraging the consumer to purchase a complete home collection, including case goods, upholstery and accessories, and by providing for a high level of service. The average size of an Ethan Allen gallery is 15,000 square feet.

Ethan Allen maximizes uniformity of gallery presentation throughout the gallery network through uniform standards of operation. These standards of operation help each gallery present the same high quality image and offer retail customers consistent levels of product selection and service. The galleries are staffed with a sales force consisting of approximately 2,500 trained designers, who assist customers at no additional charge in decorating their homes. Ethan Allen believes this design service gives it an unusual competitive advantage over other furniture retailers.

In 1992, Ethan Allen instituted a new image and logo program. Additionally, Ethan Allen has undertaken a program to have the exterior and interior presentation of all galleries updated. As of June 30, 1996, 218 stores or 76% of all stores (including dealer-owned and Ethan Allen-owned stores) have either implemented new exteriors or are under renovation. Ethan Allen also provides display planning assistance to dealers to assist them in updating the interior projection of their galleries.

Ethan Allen recognizes the importance of the gallery network to its long-term success and has developed and maintains a close ongoing relationship with its dealers. Ethan Allen offers substantial services to the Ethan Allen galleries in support of their marketing efforts, including coordinated national advertising, merchandising and display programs, and extensive dealer training seminars and educational materials. Ethan Allen believes that the development of designers, sales managers, service and delivery personnel and dealers is important for the growth of its business. Ethan Allen has, therefore, committed to offer to all dealers a comprehensive training program that will help to develop retail managers/owners, designers and service and delivery personnel to their fullest potential. Ethan Allen has offered dealers various assistance programs, including long-term financial assistance in connection with the financing of their inventory, the opening of new galleries and the renovation of galleries in accordance with Ethan Allen's new image and logo program.

Advertising and Promotion

Ethan Allen has developed a highly coordinated, nationwide advertising and promotional campaign designed to increase consumer awareness of the breadth of Ethan Allen's product offerings. In addition to a national television campaign, Ethan Allen utilizes direct mail, magazine, newspaper and radio advertising. Ethan Allen believes that its ability to coordinate its advertising efforts with those of its dealers provides a competitive advantage over other home furnishing manufacturers and retailers. Advertising is planned to support the Company's sale periods. In January of 1994, the Company changed to a new annual cycle of six sale events from four, which increased the frequency and shortened the duration of sale periods.

Ethan Allen's in-house staff, working with a leading advertising firm, has developed and implemented what the Company believes the most extensive national television campaign in the home furnishings industry. This campaign is designed to support the six annual sale periods and to increase the flow of traffic into galleries during the sale periods. Ethan Allen television advertising is aired approximately 24 weeks per year.

Ethan Allen Interiors magazine, which features Ethan Allen's home furnishing collections, is one of Ethan Allen's most important marketing tools. Approximately, 42 million copies of the magazine, which features sale products, are distributed to consumers during the six sale periods. The Company publishes and sells the magazines to its dealers who, with demographic information collected through independent market research, are able to target potential consumers.

Ethan Allen's television advertising and direct mail efforts are supported by strong print campaigns in various markets, and in leading home fashion magazines using advertisements and multi-page inserts. The Company coordinates significant advertisements in major newspapers in its major markets. The Ethan Allen Treasury, a complete catalogue of the Ethan Allen home collection which is distributed in the galleries, is one of the most comprehensive home furnishing catalogues in the industry.

Manufacturing

Ethan Allen is one of the ten largest manufacturers of household furniture in the United States. Ethan Allen manufactures and/or assembles approximately 91% of its products at 20 manufacturing facilities and 3 saw mills, thereby maintaining control over cost, quality and service to its consumers. The case goods facilities are located close to sources of raw materials and skilled craftsmen, predominantly in the Northeast and Southeast regions of the country. Upholstery facilities are located across the country in order to reduce shipping costs to galleries and based upon the availability of skilled craftsmen. Management believes that its manufacturing facilities are currently well positioned to accommodate sales growth.

Distribution

Ethan Allen distributes its products primarily through eleven regional distribution centers strategically located throughout the United States. These distribution centers hold finished products received from Ethan Allen's manufacturing facilities for shipment to Ethan Allen's dealers or home delivery service centers. Ethan Allen stocks case goods and accessories to provide for quick delivery of in-stock items and to allow for more efficient production runs.

Approximately, 50% of shipments are made to and from the distribution and home delivery service centers by the Company's fleet of trucks and trailers. The balance of Ethan Allen's shipments are sub-contracted to independent carriers. Approximately, 95% of Ethan Allen-owned delivery vehicles are leased under three to five-year leases.

Ethan Allen's policy is to sell its products at the same delivered cost to all dealers nationwide, regardless of their shipping point. The adoption of this policy has discouraged dealers from carrying significant inventory in their own warehouses. As a result, Ethan Allen obtains accurate information regarding sales to dealers to better plan production runs and manage inventory. Having one national landed cost has permitted Ethan Allen to provide one national suggested retail price which, in turn, helps facilitate a national advertising program.

Raw Materials and Suppliers

The most important raw materials used by Ethan Allen in furniture manufacturing are lumber, veneers, plywood, particle board, hardware, glue, finishing materials, glass, mirrored glass, laminates and fabrics. The various types of wood used in Ethan Allen's products include cherry, oak, maple, prima vera, mahogany, birch and pine, substantially all of which are purchased domestically. Fabrics and other raw materials are purchased both domestically and abroad. Ethan Allen has no long-term supply contracts, and has experienced no significant problems in supplying its operations. Ethan Allen maintains a number of sources for its raw materials which management believes contribute to its ability to obtain competitive pricing for raw materials. Lumber prices fluctuate over time depending on factors such as weather and demand, which impact availability. Upward trends in prices could have a short-term impact on margins. Management believes however, such increases in cost can be substantially passed along through retail price increases. A sufficient inventory of lumber and fabric is usually stocked to maintain approximately 15 to 25 weeks of production. Management believes that its sources of supply for these materials are adequate and that it is not dependent on any one supplier.

Competition

The home furnishings industry at the retail level is highly competitive and fragmented. Although Ethan Allen is among the ten largest furniture manufacturers, industry estimates indicate that there are over 1,000 manufacturers of all types of furniture in the United States. Some of these manufacturers produce furniture types not manufactured by Ethan Allen. Certain of the companies which compete directly with Ethan Allen may have greater financial and other resources than the Company.

Since Ethan Allen's products are sold primarily through galleries which sell exclusively Ethan Allen products, Ethan Allen's effort is focused primarily upon obtaining and retaining independent dealers and upon increasing the volume of such dealers' retail sales and opening new Ethan Allen-owned stores. The home furnishings industry competes primarily on the basis of product styling and quality, personal service, prompt delivery, product availability and price. Ethan Allen believes that it effectively competes on the basis of each of these factors and believes that its gallery format provides it with a competitive advantage because of the complete home furnishing product selection and service available to the consumer.

Furniture Today (a leading industry publication) published a survey of America's Top 100 Furniture Retailers for 1995 which ranked Ethan Allen's gallery network as the largest furniture retail network which utilizes the furniture gallery concept. According to the survey, the nation's 100 largest furniture retailers accounted for 33% of all furniture sales in the United States in 1993.

Trademarks

Ethan Allen currently holds numerous trademarks, service marks and design patents for the Ethan Allen name, logos and designs in a broad range of classes for both products and services. Ethan Allen also holds international registrations for Ethan Allen trademarks in twenty-four foreign countries and has applications for registration pending in sixteen foreign countries. Ethan Allen has registered or has applications pending for many of its major collection names as well as certain of its slogans coined for use in connection with retail sales and other services. Ethan Allen views its trade and service marks as valuable assets and has an on-going program to diligently police their unauthorized use through institution of legal action.

Backlog and Net Orders Booked

As of June 30, 1996, Ethan Allen had a wholesale backlog of approximately $31.5 million, compared to a backlog of $29.0 million as of June 30, 1995, which it is anticipated will be serviced in the first quarter of fiscal 1997. Backlog at any point in time is primarily a result of net orders booked in prior periods, manufacturing schedules and the timing of product shipments. Net orders booked at the wholesale level from all Ethan Allen galleries (including all independently-owned and Ethan Allen-owned galleries) for the three months and twelve months ended June 30, 1996 were $102.2 million and $420.9 million, respectively, resulting in an increase of 15.8% and 7.0% for the three months ended June 30, 1996 and for the fiscal year 1996, respectively. Net orders booked in any period are recorded based on wholesale prices and do not reflect the additional retail margins produced by the Ethan Allen-owned galleries.

Employees

Ethan Allen has 5,991 employees as of June 30, 1996. Approximately, 5% of the employees are represented by unions under collective bargaining agreements. Ethan Allen believes it has good relations with its employees and there have been no work stoppages during the last three years.

Item 2. Properties

The corporate headquarters of Ethan Allen, located in Danbury, Connecticut, consists of one building containing 144,000 square feet, situated on approximately 17.5 acres of land, all of which is owned by Ethan Allen. Located adjacent to the corporate headquarters is the Ethan Allen Inn, a hotel containing 199 guest rooms. This hotel, owned by a wholly-owned subsidiary of Ethan Allen, is used for Ethan Allen functions and in connection with training programs as well as for accommodations for the general public.

Ethan Allen has 20 manufacturing facilities and 3 saw mills located in 11 states, all of which are owned, with the exception of a leased upholstery plant in California, totaling 133,000 square feet. These facilities consist of 11 case goods manufacturing plants, totaling 2,956,461 square feet (including three sawmills), five upholstered furniture plants, totaling 1,372,000 square feet and three plants involved in the manufacture and assembly of Ethan Allen's non-furniture coordinates totaling 263,000 square feet. In addition, Ethan Allen owns nine distribution warehouses, totaling 1,354,000 square feet, and leases two home delivery service centers aggregating 176,000 square feet. The Company's manufacturing and distribution facilities are located in North Carolina, Vermont, Pennsylvania, Virginia, New York, Oklahoma, California, New Jersey, Georgia, Indiana, Maine, and Massachusetts.

Ethan Allen operates 60 Ethan Allen Showcase Galleries in North America, of which 11 facilities are owned and 49 facilities are leased.

A few of the properties owned are subject to mortgages imposed under the Company's Bank Credit Agreement and certain store properties are subject to mortgage loan agreements. In addition, Ethan Allen's Maiden, North Carolina facility was financed with an industrial revenue bond. Ethan Allen believes that all of its properties are well maintained and in good condition.

Ethan Allen estimates that its case goods and upholstery divisions are currently operating at approximately 75% of capacity, assuming a one-shift basis. Management believes it has significant additional capacity at many facilities, which it could utilize with minimal additional capital expenditures by adding multiple shift operations. Ethan Allen considers its present manufacturing capacity to be sufficient for its foreseeable needs.

Item 3. Legal Proceedings

Ethan Allen is a party to various legal actions with customers, employees and others arising in the normal course of its business. Ethan Allen maintains liability insurance which Ethan Allen believes is adequate for its needs and commensurate with other companies in the home furnishings industry. Ethan Allen believes that the final resolution of pending actions (including any potential liability not fully covered by insurance) will not have a substantial adverse effect on the Company's financial position.

Environmental Matters

The Company has been named as a potentially responsible party ("PRP") for the cleanup of four 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"). Numerous other parties have been identified as PRP's at these sites. The Company believes its share of waste contributed to these sites is small in relation the total; however, liability under CERCLA may be joint and several. The Company has total reserves of $500,000 applicable to these sites, which would be sufficient to cover any resulting liability. With respect to all of these sites, the Company believes that it is not a major contributor based on the very small volume of waste generated by the Company in relation to total volume at the site. For three of the sites, the site assessment is at a very early stage and there has been no allocation of responsibility among the parties. Environmental assessment activity with respect to these sites is expected to continue over the next few years. With respect to the fourth site, final allocation is in the process of being negotiated.

Ethan Allen is subject to other federal, state and local environmental protection laws and regulations and is involved from time to time in investigations and proceedings regarding environmental matters. The Company is regulated under several federal, state and local laws and regulations concerning air emissions, water discharges, and management of solid and hazardous wastes. The Company believes that its facilities are in material compliance with all applicable laws and regulations. Regulations currently being issued under the Clean Air Act Amendments of 1990 may require the Company to implement reformulation of certain furniture finishes or institute process changes to reduce emissions of volatile organic compounds. The furniture industry and its suppliers are attempting to develop alternative finishing materials to replace currently used organic-based finishes which are a major source of regulated emissions. Ethan Allen continues to implement reformulating of finishing materials and processing changes, and will continue to investigate new treatment technology, in order to reduce such emissions.

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

The following matters were submitted to security holders of the Company in fiscal 1996:

- Election of Directors

    1) Clinton A. Clark
    2) Kristin Gamble
    3) Edward H. Meyer

- Proposal for ratification of KPMG Peat Marwick LLP as Independent Auditors for the 1996 fiscal year.

- Proposal to approve amendment to the 1992 Stock Option Plan to award options to purchase an additional 1,500 shares of common stock to the independent directors.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock is traded on the New York Stock Exchange. The following table indicates the high and low sales prices of the Company's Common Stock as reported on the New York Stock Exchange Composite Tape:

	Market Price	
	High	Low
Fiscal 1996		
Fourth Quarter	28 3/8	22 1/2
Third Quarter	27	19 5/8
Second Quarter	22 3/8	19 3/8
First Quarter	23 3/8	17 3/4
Fiscal 1995		
Fourth Quarter	22 1/8	17 1/4
Third Quarter	25	20 5/8
Second Quarter	25 3/8	19 7/8
First Quarter	25	19 1/2

As of August 28, 1996, there were approximately 380 security holders of record of the Company's Common Stock.

On May 20, 1996, the Company declared a $.04 per common share dividend for all holders of record on July 10, 1996 and payment date of July 25, 1996. The Company expects to continue to declare quarterly dividends for the foreseeable future.

Item 6. Selected Financial Data

The following table sets forth summary consolidated financial information of the Company for the years and dates indicated (dollars in thousands, except per share data)

<TABLE>
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	Fiscal Years Ended June 30,				
	1996	1995	1994	1993	1992
Statement of Operations Data:					
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$509,776	$476,111	$437,286	$384,178	$350,983
Cost of sales	304,650	291,038	266,504	240,733	220,938
Selling, general and administrative expenses	149,559	137,387	120,569	108,028	102,430
Expenses related to business reorganization and write-down of assets held for sale (1)	-	1,550	-	-	-
Restructuring charges (2)	-	-	-	-	15,093
Operating income	55,567	46,136	50,213	35,417	12,522(11)
Interest and other miscellaneous income	1,039	1,766	1,732	3,043	2,664
Net income before interest expense, income taxes, extraordinary charge and cumulative effect of accounting change	56,606	47,902	51,945	38,460	15,186
Interest expense (3)	9,616	11,937	13,327	41,812	53,151
Income tax expense (benefit)	18,845	13,233(4)	16,047	(1,094)	(14,077)(11)
Income (loss) before extraordinary charge and cumulative effect of accounting change	28,145	22,732	22,571	(2,258)	(23,888)
Extraordinary charge	-	(2,073)(5)	-	(15,052)(8)	-
Cumulative effect of accounting change	-	1,467(6)	-	-	(4,864)(11)

Net income (loss)	$ 28,145	$ 22,126	$ 22,571	$(17,310)	$(28,752)
	========	=======	=======	========	========
Other information:					
Depreciation and amortization	$ 16,761	$ 16,098	$ 15,859	$ 16,483	$ 19,623
Per Share Data:					
Net income (loss) per common share before extraordinary charge and cumulative effect of accounting change	$ 1.93	$ 1.56	$ 1.53(7)	$ 1.12(9)	$ (0.11)(9)
Weighted average common shares outstanding (10)	14,564	14,623	14,141	13,258	12,941
Balance Sheet Data (at End of Period):					
Working capital	$109,147	$122,681	$103,709	$ 90,797	$ 82,288
Property, plant and equipment, net	159,634	161,115	164,615	166,875	174,899
Total assets	395,981	408,288	413,287	396,233	413,133
Long-term debt including capital lease obligations	82,681	127,032	139,175	153,749	319,587
Redeemable convertible preferred stock	-	-	-	29,825	-
Shareholders' equity (deficit)	220,293	193,098	171,166	116,053	(22,488)

<FN>
Footnotes on following page.

Notes to Selected Financial Data
(Dollars in thousands)

(1) Included in the $1,550 charge in fiscal 1995 are fees associated with the business reorganization (note 15) and the write-down of property and plants held for sale to fair market value.

(2) The restructuring charges in fiscal 1992 related primarily to the consolidation of various manufacturing and distribution facilities and the closing of certain Ethan Allen-owned retail locations of which $10,522 are non-cash charges related to the write-down of manufacturing and distribution assets.

(3) Interest expense includes the following non-cash components:

	1996	1995	1994	1993	1992
Non-cash interest	$ -	$ -	$ -	$ 21,717	$ 30,606
Amortization of deferred financing costs	596	1,160	1,384	3,023	3,648
	$ 596	$1,160	$ 1,384	$ 24,740	$34,254

(4) Includes a $1.7 million credit to income tax expense, resulting from the restatement of deferred taxes to reflect the Company's expected future effective tax rate upon the completion of the business reorganization.

(5) During fiscal 1995, the Company entered into a bank credit agreement to provide up to $110,000 of senior secured debt. As a result of the new financing, an extraordinary charge of $3,484 in the aggregate, $2,073 net of tax benefit or $.14 a share was recorded relating to the write-off of unamortized deferred financing costs associated with the existing bank financing.

(6) As of July 1, 1994, the Company changed its method of accounting for packaging costs to better match revenue with expenses. This change resulted in a cumulative adjustment of $2,466 ($1,467 net of tax or $.10 a share) which represents the capitalization of packaging costs into finished goods and retail inventories.

(7) Net income per common share in fiscal 1994 is adjusted for dividend

requirements on the redeemable preferred stock and for the write-off of fees in connection with the redemption of the preferred stock. Historical earnings per common share for years prior to fiscal 1994 have been omitted as the historical capitalization of the Company is not indicative of the Company's current capital structure.

(8) In connection with the full repayment of its 18.17% Senior Subordinated Exchange Notes and the existing bank credit agreement at the time of a Recapitalization in 1993, $19,180 of unamortized deferred financing costs were written off. Additionally, in connection with the early termination of the bank credit agreement, the Company was required to make a $5,097 payment to buy out the related interest rate swap agreement. Such charges ($24,277 in the aggregate, $15,052 net of tax benefit) are reflected as an extraordinary charge in the statement of operations.

(9) Represents unaudited pro forma net income per common share data adjusted assuming the Company's recapitalization, including an initial public offering, which was effective March 23, 1993 (the "Recapitalization"), occurred as of the beginning of the periods presented. The principal adjustments are (1) the elimination of charges related to a consulting agreement which was terminated in connection with the Recapitalization and (2) the reduction of interest and related expense to reflect the Recapitalization as of the beginning of the periods presented.

(10) Weighted average common shares used in the computation of net income per share includes shares of common stock outstanding and common stock equivalents.

(11) The Company adopted SFAS 109 "Accounting for Income Taxes" effective July 1, 1991. As a result, the Company reported the cumulative effect of that change in the method of accounting for income taxes of $4,864 in fiscal 1992. Additionally, as a result of the adoption of SFAS 109, operating income in fiscal 1992 reflects a higher depreciation charge of $3,494 and income tax expense (benefit) includes a credit of $14,477.
</TABLE>

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Basis of Presentation

The Company has no material assets other than its ownership of Ethan Allen's capital stock and conducts all significant transactions through Ethan Allen; therefore, substantially all of the financial information presented herein is that of Ethan Allen.

Results of Operations:

Ethan Allen's revenues are comprised of wholesale sales to dealer-owned galleries and retail sales of Ethan Allen-owned galleries as follows (dollars in millions):

	Fiscal Years Ended June 30,		
	1996	1995	1994
Revenues:			
Net wholesale sales to dealer-owned stores	$330.8	$320.3	$309.7
Net retail sales of Ethan Allen-owned stores	155.6	133.2	105.1
Other revenues	23.4	22.6	22.5
Total	$509.8	$476.1	$437.3

Fiscal 1996 Compared to Fiscal 1995

Sales in fiscal 1996 increased by $33.7 million, or 7.1%, from fiscal 1995 to $509.8 million. Net sales to dealer-owned stores increased by 3.3% to $330.8 million and net retail sales by Ethan Allen-owned stores increased by 16.8% to $155.6 million. Sales growth has resulted from newer product offerings, a coordinated advertising program, and approximately 95% brand awareness. In addition, new stores have contributed to the sales growth. During fiscal 1996, the Company opened 19 new stores, of which 7 stores represented relocations. At June 30, 1996, there were 288 total stores, of which 228 were dealer-owned stores. The Company's objective is to continue the expansion of both the dealer-owned and Ethan Allen-owned stores.

The increase in retail sales by Ethan Allen-owned stores is attributable to an 8.1%, or $9.9 million increase in comparable store sales, and an increase in sales generated by newly opened or acquired galleries of $16.8 million, partially offset by closed galleries, which generated $4.3 million less in fiscal 1996 as compared to fiscal 1995. The number of Ethan Allen-owned stores has decreased to 60 at June 1996 as compared to 61 at June 1995.

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 from Ethan Allen are included in comparable store sales in their 13th full month of Ethan Allen-owned operations.

Gross profit for fiscal 1996 increased by $20.0 million, or 10.8%, from fiscal 1995 to $205.1 million. This increase is attributable to a higher sales volume, combined with an increase in gross margin from 38.9% in fiscal 1995 to 40.2% in fiscal 1996. The improvement in gross margin is principally due to a higher wholesale gross margin and a higher proportionate level of retail sales by Ethan Allen-owned stores relative to total sales. Retail sales generate a higher gross margin relative to wholesale sales. At the wholesale level, gross margins increased by .5% due primarily to greater manufacturing efficiencies and the full benefit of the prior year price increase and partial benefit of selected price increases announced during the current fiscal year, partially offset by $.5 million of costs related to the extended plant shutdowns in the first quarter and higher employee benefit costs. A price increase of 3% on certain case good products was implemented in the fourth quarter of fiscal 1995.

Operating expenses increased $10.7 million from $138.9 million, or 29.2% of net sales, in fiscal 1995, to $149.6 million, or 29.3% of net sales, in fiscal 1996. The prior year included $1.6 million of one-time charges related to the business reorganization and the write-down to then current fair market value of property and plants held for sale. Operating expenses in the current year are $12.3 million higher than the prior year, excluding these charges. This increase is primarily attributable to an increase in operating expenses in the Company's retail division of $9.7 million, due to the higher sales volume experienced by the division in fiscal 1996. Additionally, wholesale operating expenses increased due to higher employee benefit costs and increased shipping costs associated with higher volumes.

Operating income for fiscal 1996 was $55.6 million, an increase of $9.4 million, or 20.4%, as compared to fiscal 1995. Wholesale operating income was $52.7 million in fiscal 1996, an increase of $7.7 million or 17.1% as compared to the prior year. This increase is attributable to higher sales volumes, increased gross margins reflecting, in part, improved efficiencies, and greater monitoring of expenses. Retail operating income was $4.1 million in fiscal 1996, an improvement of $1.5 million as compared to fiscal 1995. This increase is attributable to higher retail sales volume, partially offset by higher operating expenses related to the higher volumes.

Interest expense for fiscal 1996 decreased by $2.3 million to $9.6 million, due to lower debt balances, and lower amortization of deferred financing costs.

Income tax expense of $18.8 million was recorded in fiscal 1996. The Company's effective tax rate for fiscal 1996 was 40.1% as compared to 36.8% in fiscal 1995. In fiscal 1995, income tax expense included a one-time deferred tax benefit of $1.7 million, resulting from the adjustment of deferred taxes to reflect the Company's future tax rate upon the completion of the business reorganization, exclusive of this adjustment the effective rate in 1995 would have been 41.4%.

In fiscal 1996, the Company recorded net income of $28.1 million, an increase of 21.7%, compared to $22.1 million in fiscal 1995.

Fiscal 1995 Compared to Fiscal 1994

Sales in fiscal 1995 increased by $38.8 million, or 8.9%, from fiscal 1994 to $476.1 million. Net sales to dealer-owned stores increased by 3.4% to $320.3 million, and net retail sales by Ethan Allen-owned stores increased by 26.7% to $133.2 million. Sales growth is due to higher volumes which management believes have resulted primarily from Ethan Allen's expanded product offerings, an updated image which is projected through new exteriors and interiors, and a coordinated advertising program. In addition, new stores have contributed to sales growth. At June 30, 1995, there were 297 total stores, of which 236 were dealer-owned, as compared to 285 total stores, of which 230 were dealer-owned, at June 30, 1994.

The increase in retail sales by Ethan Allen-owned stores is attributable to a 10.3%, or $8.4 million, increase in comparable store sales, and an increase in sales generated by newly opened or acquired galleries of $24.8 million, partially offset by closed galleries, which generated $5.1 million less in sales in fiscal 1995, as compared to fiscal 1994. The number of Ethan Allen-owned stores has increased to 61 at June 30, 1995, as compared to 55 at June 30, 1994.

Gross profit for fiscal 1995 increased by $14.3 million, or 8.4%, from fiscal 1994 to $185.1 million. This increase is attributable to higher sales volume, partially offset by a decrease in gross margin from 39.1% in fiscal 1994 to 38.9% in fiscal 1995. The reduction of gross margin is principally due to lower wholesale margin, partially offset by a higher proportionate level of retail sales by Ethan Allen-owned stores relative to total sales. Retail sales generate a higher gross margin relative to wholesale sales. At the wholesale level, gross margins declined by 1.9% due to increases in raw materials, medical and labor costs, and proportionately more product being sold at sales prices due to an increase in the number of sales events. A price increase of 3% on certain case good products was implemented, partially effective in the fourth quarter in order to offset cost increases.

Operating expenses increased $18.3 million from $120.6 million, or 27.6% of net sales in fiscal 1994 to $138.9 million, or 29.2% of net sales, in fiscal 1995. This increase is attributable principally to an increase in operating expenses in the Company's retail division of $11.1 million, due to higher sales volumes and an increase in the number of Ethan Allen-owned stores. Additionally, operating expenses increased due to higher shipping costs associated with higher volumes and expenses of $1.6 million in fiscal 1995 related to the business reorganization and the write-down of property and plants held for sale.

Operating income for fiscal 1995 was $46.1 million, a decrease of $4.1 million, or 8.1% as compared to fiscal 1994. Wholesale operating income was $43.5 million in fiscal 1995, a decrease of $4.7 million as compared to the prior year. This decrease is attributable to lower gross margins and higher operating expenses. Operating expenses include $1.6 million related to the business reorganization and the write-down of property and plants to fair market value. Retail operating income was $2.6 million in fiscal 1995, an improvement of $0.5 million as compared to fiscal 1994. This increase is attributable to higher retail sales volume, partially offset by higher operating expenses principally related to higher volumes and new stores.

Interest expense for fiscal 1995 decreased by $1.4 million to $11.9 million, due to lower debt balances and lower amortization of deferred financing costs, partially offset by higher interest rates.

Income tax expense of $13.2 million was recorded in fiscal 1995, which includes a one-time deferred tax benefit of $1.7 million, resulting from the adjustment of deferred taxes to reflect the Company's expected future tax rate upon the completion of the business reorganization of approximately 39%. As a result of this benefit, the Company's effective tax rate in fiscal 1995 was 36.8% as compared to 41.6% in fiscal 1994.

An extraordinary charge of $2.1 million (net of tax benefit) was recorded in fiscal 1995 relating to the write-off of unamortized deferred refinancing costs associated with the Company's existing bank financing, which was repaid upon the completion of a new financing arrangement with a syndicate of banks during 1995.

As of July 1, 1994, the Company changed its method of accounting for packaging costs. This resulted in a cumulative adjustment of $1.5 million (net of tax), which represents the capitalization of packaging costs into finished goods and retail inventories. Such amounts were previously charged to selling expense in the period the related product was manufactured and shipped to a Company warehouse. Commencing July 1, 1994, packaging costs have been included in cost of sales as the product is shipped to customers.

For fiscal 1995, the Company recorded net income of $22.1 million, compared to net income in fiscal 1994 of $22.6 million.

Financial Condition and Liquidity

The Company's principal sources of liquidity are cash flow from operations and additional borrowing capacity under a revolving credit facility. Net cash provided by operating activities totaled $60.9 million for fiscal 1996, as compared to $35.5 million in fiscal 1995 and $24.0 million in fiscal 1994. The increase as compared to 1995 is due principally to a $6.9 million decrease in inventory as compared to an $8.3 million increase in inventory in fiscal 1995 (excluding the effect of the accounting change), a $6.0 million increase in net income, a $.6 million increase in net deferred income tax liability before the tax effect of management options exercised as compared to a $2.3 million decrease in net deferred income tax liability in fiscal 1995, and a $1.6 million increase in accrued expenses in fiscal 1996, as compared to a $2.1 million decrease in accrued expense in fiscal 1995. At June 30, 1996, the Company had working capital of $109.1 million and a current ratio of 2.84 to 1.

During fiscal 1996, capital spending totaled $13.3 million as compared to $11.2 million and $11.0 million in fiscal 1995 and 1994, respectively. Capital expenditures in fiscal 1997 are anticipated to be approximately $18.0 million. The Company anticipates that cash from operations will be sufficient to fund this level of capital expenditures. The increased level of capital spending, which is attributable to new store openings and manufacturing efficiency improvements, is expected to continue for the foreseeable future.

Total debt outstanding at June 30, 1996, is $85.2 million of which $7.0 million is outstanding under the Credit Agreement, with Chase Manhattan Bank as agent. Trade and standby letters of credit of $12.8 million were also outstanding as of June 30, 1996. The revolving credit facility provides a maximum availability of $110.0 million, and includes a $40.0 million sub-facility for trade and standby letters of credit availability and a $3.0 million swingline loan sub-facility. Other debt includes $62.0 million of outstanding Senior Notes which have a final maturity in 2001, with no scheduled amortization prior to final maturity. The Senior Notes also may not be redeemed at the option of the Company until March 15, 1998. Therefore, the Company does not anticipate that any Senior Notes will be repaid for at least two years; however, the Company may, from time to time, either directly or through agents, repurchase its Senior Notes in the open market, through negotiated purchases or otherwise, at prices and on terms satisfactory to the Company. During fiscal 1996, 1995, and 1994, $6.0 million, $3.0 million and $4.0 million, respectively, principal amount of Senior Notes were repurchased. The Company has announced that it is authorized to repurchase up to 600,000 of its common stock shares from time to time in the open market or otherwise. In fiscal 1996, 179,282 shares were purchased at an average price of $21.73 per share and 51,619 shares were purchased in 1995 at an average price of $20.96 per share under this program. Depending on market prices and other considerations relevant to the Company, such purchases may be discontinued at any time.

As of June 30, 1996, aggregate scheduled maturities of long-term debt for each of the next five fiscal years are $0.1 million, $.1 million, $0.3 million, $7.1 million and $62.1 million, respectively. Management anticipates that excess cash will be used to repay its revolver balance. Additionally, 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 to fund working capital and other cash requirements.

Impact of Inflation

The Company does not believe that inflation has had a material impact on its profitability during the last three fiscal years. In the past, the Company has generally been able to increase prices to offset increases in operating costs.

Income Taxes

At June 30, 1996, the Company has approximately $33.9 million of net operating loss carryovers ("NOL's") for federal income tax purposes. The Recapitalization triggered an "ownership change" of the Company, as defined in Section 382 of the Internal Revenue Code of 1986, as amended, resulting in an annual limitation on the utilization of the NOL's by the Company of approximately $3.9 million.

Accounting Pronouncements

In March 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("FAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This statement, effective for fiscal years beginning after December 15, 1995, establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. Management believes the initial adoption of this standard will not have a material impact on the Company's financial position or its results of operations.

In October 1995, the FASB issued FAS 123, "Accounting for Stock-Based Compensation" which is effective for years beginning after December 15, 1995. FAS 123 permits a fair value based method of accounting for employee stock compensation plans. It also allows a company to continue to use the intrinsic value method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Companies electing to continue to use the accounting prescribed by APB 25, must make pro forma disclosures of net income and net income per share as if the fair value based method of accounting defined in FAS 123 had been applied. The Company plans to continue to use the intrinsic value method of accounting when it adopts FAS 123 in fiscal 1997.

Item 8. Financial Statements and Supplementary Data

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Ethan Allen Interiors Inc.:

We have audited the accompanying consolidated balance sheets of Ethan Allen Interiors Inc. and Subsidiaries as of June 30, 1996 and 1995, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 1996. In connection with our audits of the consolidated financial statements, we also have audited the financial statements schedule listed in the index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ethan Allen Interiors Inc. and Subsidiaries as of June 30, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 1996, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in note 2 to the consolidated financial statements, the Company changed its method of accounting for packaging costs in 1995.

KPMG PEAT MARWICK LLP

Stamford, Connecticut
July 31, 1996

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Balance Sheets
June 30, 1996 and 1995
(Dollars in thousands)

ASSETS	1996	1995
Current assets:		
Cash	$ 9,078	$ 7,546
Accounts receivable, less allowance of $2,564 and $2,968 at June 30, 1996 and 1995, respectively	33,984	35,334
Notes receivable, current portion, less allowance of $314 and $426 at June 30, 1996 and 1995, respectively	1,314	1,531
Inventories (note 5)	107,224	114,115
Prepaid expenses and other current assets	7,377	8,122
Deferred income taxes (note 12)	9,305	9,505
Total current assets	168,282	176,153
Property, plant and equipment, net (note 6)	159,634	161,115
Property, plant and equipment held for sale (note 1)	4,233	3,248
Notes receivable, net of current portion, less allowance of $97 and $1,173 at June 30, 1996 and 1995, respectively	2,561	3,487
Intangibles, net (note 7)	54,065	55,725
Deferred financing costs, net of amortization of $1,426 and $830 at June 30, 1996 and 1995,		

respectively (note 4)	1,877	2,351
Other assets	5,329	6,209
Total assets	$ 395,981	$ 408,288
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and capital lease obligations (notes 8 and 9)	$ 2,498	$ 3,363
Accounts payable	36,742	32,409
Accrued expenses	6,956	6,172
Accrued compensation and benefits	12,939	11,528
Total current liabilities	59,135	53,472
Long-term debt, less current maturities (note 8)	79,929	124,534
Obligations under capital leases, less current maturities (note 9)	2,752	2,498
Other long-term liabilities, principally long-term compensation, environmental and legal reserves	1,036	1,072
Deferred income taxes (note 12)	32,836	33,614
Total liabilities	175,688	215,190
Commitments and contingencies (notes 9 and 16)	-	-
Shareholders' equity (notes 3, 10 and 11):		
Class A common stock, par value $.01, 35,000,000 shares authorized, 14,568,731 shares issued at June 30, 1996, 14,461,069 shares issued at June 30, 1995	146	144
Preferred stock, par value $.01, 1,055,000 shares authorized, no shares issued and outstanding at June 30, 1996 and 1995, respectively	-	-
Additional paid-in capital	254,971	252,569
	255,117	252,713
Less: Notes receivable from officer and employees (note 17)	(51)	(592)
Treasury stock (at cost) 256,480 shares at June 30, 1996 and 77,198 shares at June 30, 1995	(5,371)	(1,476)
	249,695	250,645
Accumulated deficit	(29,402)	(57,547)
Total shareholders' equity	220,293	193,098
Total liabilities and shareholders' equity	$395,981	$408,288

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Operations
Years ended June 30, 1996, 1995, and 1994
(Dollars in thousands, except per share data)

	1996	1995	1994
Net sales	$509,776	$476,111	$437,286
Cost of sales	304,650	291,038	266,504
Gross profit	205,126	185,073	170,782
Operating expenses:			
Selling	74,582	71,463	60,670
General and administrative	74,977	65,924	59,899
Expenses related to the business reorganization and write-down of assets held for sale (notes 1 and 15)	-	1,550	-
Operating income	55,567	46,136	50,213
Interest and other miscellaneous income, net	1,039	1,766	1,732

Interest and related expense:			
Interest	8,882	10,777	11,943
Amortization of deferred financing costs	734	1,160	1,384
	9,616	11,937	13,327
Income before income taxes, extraordinary charge and cumulative effect of accounting change	46,990	35,965	38,618
Income tax expense (note 12)	18,845	13,233	16,047
Income before extraordinary charge and cumulative effect of accounting change	28,145	22,732	22,571
Extraordinary charge from early retirement of debt, net of income tax benefits of $1,411 (note 4)	-	(2,073)	-
Cumulative effect of accounting change, net of income tax of $999 (note 2)	-	1,467	-
Net income	$ 28,145	$ 22,126	$ 22,571
Per share data (note 1):			
Net income per common share excluding extraordinary charge and cumulative effect of accounting change	$ 1.93	$ 1.56	$ 1.53
Extraordinary charge (note 4)	-	(0.14)	-
Cumulative effect of accounting change (note 2)	-	(0.10)	-
Net income per common share	$ 1.93	$ 1.52	$ 1.53
Dividends declared per common share	$ 0.04	$ -	$

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years ended June 30, 1996, 1995 and 1994
(Dollars in thousands)

	1996	1995	1994
Operating activities:			
Net income	$ 28,145	$ 22,126	$ 22,571
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	17,495	17,258	17,243
Provision (benefit) for deferred income taxes	622	(2,306)	2,001
Extraordinary charge	-	2,073	-
Cumulative effect of accounting change	-	(1,467)	-
Other non-cash benefit (charges)	(64)	(96)	278
Change in:			
Accounts receivable	1,407	2,561	1,416
Inventories	6,891	(8,323)	(20,814)
Prepaid and other current assets	745	75	43
Other assets	(271)	1,581	(1,804)
Accounts payable	4,333	4,463	1,773
Accrued expenses	1,621	(2,068)	1,798
Other long-term liabilities	(36)	(416)	(500)
Net cash provided by operating activities	60,888	35,461	24,005
Investing activities:			
Proceeds from the disposal of property, plant, and equipment	1,216	3,071	276
Capital expenditures	(13,314)	(11,244)	(10,967)
Payments received on long-term notes receivable	2,559	2,642	2,162
Disbursements made for long-term notes receivable	(935)	(581)	(2,567)
Net cash used by investing activities	(10,474)	(6,112)	(11,096)

Financing activities:			
Borrowings on revolving credit facilities	56,500	49,000	73,500
Payments on revolving credit facilities	(95,500)	(67,000)	(67,500)
Redemption of Senior Notes	(6,000)	(3,000)	(4,000)
Other payments on long-term debt and capital leases	(1,823)	(11,698)	(12,835)
Other borrowings on long-term debt	500	4,600	-
Payments to acquire treasury stock	(3,895)	(1,082)	(241)
Net proceeds from issuance of common stock	1,474	421	32,906
Increase in deferred financing costs	(138)	(742)	(571)
Initial borrowing under bank credit agreement	-	43,000	-
Repayment of bank credit agreement	-	(42,018)	-
Paid fees associated with the common stock offerings	-	(16)	(1,002)
Redemption of preferred stock	-	-	(30,000)
Preferred dividends paid	-	-	(1,281)
Net cash used by financing activities	(48,882)	(28,534)	(11,024)
Net increase in cash	1,532	815	1,885
Cash at beginning of year	7,546	6,731	4,846
Cash at end of year	$ 9,078	$ 7,546	$ 6,731
Supplemental disclosure:			
Cash payments for:			
Income taxes	$ 12,515	$ 17,867	$ 12,660
Interest	9,073	11,026	11,830
Additions to obligations under capitalized leases	1,107	2,067	1,210

See accompanying notes to consolidated financial statements.

<TABLE>
<CAPTION>

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Shareholders' Equity
Years ended June 30, 1994, 1995 and 1996
(Dollars in thousands)

<S>	Common Stock <C>	Additional Paid-in Capital <C>	Notes Receivable <C>	Treasury Stock <C>	Accumulated Deficit <C>	Total <C>
Balance at June 30, 1993	$ 129	$218,579	$(1,005)	$ (153)	$(101,497)	$116,053
Public offering of common stock net of offering cost	14	32,907	-	-	-	32,921
Write-off of preferred stock financing fees	-	(175)	-	-	-	(175)
Payments received on notes receivable	-	-	364	-	-	364
Increase in vested management warrants (note 11)	-	420	-	-	-	420
Dividends declared on preferred stock	-	-	-	-	(747)	(747)
Purchase of 15,207 shares of treasury stock	-	-	-	(241)	-	(241)
Net income	-	-	-	-	22,571	22,571
Balance at June 30, 1994	143	251,731	(641)	(394)	(79,673)	171,166
Issuance of capital stock	1	420	-	-	-	421
Payments received on notes receivable	-	-	49	-	-	49
Increase in vested management warrants (note 11)	-	418	-	-	-	418

Purchase of 51,619 shares of treasury stock	-	-	-	(1,082)	-	(1,082)
Net income	-	-	-	-	22,126	22,126
Balance at June 30, 1995	144	252,569	(592)	(1,476)	(57,547)	193,098
Issuance of capital stock	2	1,472	-	-	-	1,474
Payments received on notes receivable	-	-	541	-	-	541
Increase in vested management warrants (note 11)	-	304	-	-	-	304
Purchase of 179,282 shares of treasury stock	-	-	-	(3,895)	-	(3,895)
Dividend declared	-	(574)	-	-	-	(574)
Tax benefit associated with the exercise of employee stock options and warrants	-	1,200	-	-	-	1,200
Net income	-	-	-	-	28,145	28,145
Balance at June 30, 1996	$ 146	$254,971	$ (51)	$(5,371)	$ (29,402)	$220,293

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

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 intercompany accounts and transactions have been eliminated in the consolidated financial statements. 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.

Nature of Operations

The Company, through its wholly-owned subsidiaries, is a leading manufacturer and retailer of quality home furnishings and sells a full range of furniture products and decorative accessories through an exclusive network of 288 retail stores, of which 60 are Ethan Allen-owned and 228 are independently owned. Retail stores are primarily located in the United States, with 18 located abroad. Ethan Allen has 20 manufacturing facilities and 3 sawmills throughout the United States.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of plant and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives of the respective assets generally range from twenty to forty years for buildings and improvements and from three to twenty years for machinery and equipment.

Property, Plant and Equipment Held for Sale

Property and plants held for sale are recorded at net realizable values. The Company continues to actively market the properties.

During fiscal 1995, the net realizable values of such assets were written down by $800,000 to reflect current estimates of fair market values based upon updated independent assessments of value.

Intangible Assets

Intangible assets primarily represent goodwill, trademarks and product technology which will be amortized on a straight-line basis over forty years. Goodwill represents the excess of cost of the Company over the fair value of net identifiable assets acquired. The Company continuously assesses the recoverability of these intangible assets by evaluating whether the amortization of the intangible asset balances over the remaining lives can be recovered through expected future results. Expected future results are based on projected undiscounted operating results before the effects of intangible amortization. Product technology is measured based upon wholesale operating income, while goodwill and trademarks are assessed based upon total wholesale and retail operating income. The amount of impairment, if any, is measured based on projected discounted future results, using a discount rate reflecting the Company's average cost of funds.

Notes Receivable

Notes receivable represent financing arrangements under which Ethan Allen has made loans to certain of its dealers. These loans primarily have terms ranging from five to eight years and are generally secured by the assets of the borrower. Interest is charged on outstanding balances at a rate which generally approximates the prime rate plus an additional rate which may be adjustable over the loan term.

Financial Instruments

The carrying value of the Company's financial instruments approximates fair market value. The Company's Senior Notes as of June 30, 1996 were traded at 101% of carrying value.

Deferred Financing Costs

Debt financing costs are deferred and amortized, using the straight-line method, over the term of the related debt.

Revenue Recognition

Sales are recorded when goods are shipped to dealers, with the exception of shipments under Ethan Allen's Home Delivery Service Center Program. These sales are recognized as revenue when goods are shipped to the Home Delivery Service Centers, at which point title has passed to the dealers. Ethan Allen, through its Home Delivery Service Centers, provides preparation and delivery services for its dealers for a fee which is recognized as revenue upon delivery of goods to the retail customer. Sales made through Ethan Allen-owned stores are recognized when delivery is made to the customer.

Advertising Costs

Advertising costs are expensed when first aired or distributed. Advertising costs for the fiscal years 1996, 1995, and 1994 were $21,289,000, $19,528,000 and $17,183,000 respectively.

Pre-opening Expenses

All costs incurred prior to the opening of a new Ethan Allen-owned store are deferred and amortized over the respective store's first twelve months of operations.

Closed Store Expenses

Future expenses, such as rent and real estate taxes, net of expected sublease recovery, which will be incurred subsequent to vacating a closed Ethan Allen-owned store, are charged to operations upon a formal decision to close the store.

Earnings Per Share

Earnings per common share are computed by dividing net earnings by the weighted average number of shares of common stock and common stock equivalents outstanding during each period. The Company has issued stock options and warrants, which are the Company's only common stock equivalents. Weighted average common shares outstanding includes common stock equivalents calculated in accordance with the "treasury method" wherein the net proceeds from such common stock equivalents are assumed to repurchase shares of common stock. Income per common share, in the fiscal 1994 period is adjusted for dividend requirements on the preferred stock. Weighted average common shares outstanding were 14,564,000, 14,623,000 and 14,141,000 in fiscal 1996, 1995 and 1994, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cumulative Effect of Accounting Change

As of July 1, 1994, the Company changed its method of accounting for packaging costs to better match revenue with expenses. This change resulted in a cumulative adjustment of $2.5 million ($1.5 million net of tax) which represents the capitalization of packaging costs into finished goods and retail inventories. Such amounts were previously charged to selling expense in the period the related product was manufactured and shipped to a Company warehouse. Commencing July 1, 1994, packaging costs have been included in cost of sales as the product is shipped to customers. Fiscal 1994 amounts have been reclassified to conform to this presentation.

(3) Preferred Stock Redemption

During fiscal 1994, the Company completed a second public offering of 1,448,790 shares of Common Stock at $26.875 a share, of which 1,350,000 shares were sold by the Company and 98,790 shares were sold by a stockholder, Smith Barney Inc. Proceeds in excess of $26.00 per share ($1.1 million) were paid to the holders of the Company's 6-1/2% Series A Redeemable Convertible Preferred Stock ("Preferred Stock"), General Electric Capital Corporation and Smith Barney Inc., pursuant to an agreement made between the Company and such parties. The net proceeds to the Company from the offering were $32.9 million. The Company used approximately $30.3 million of the net proceeds from the offering to redeem at par plus accrued dividends the Preferred Stock, and $2.6 million of net proceeds to reduce amounts outstanding under the Company's term borrowing.

Holders of the Preferred Stock were entitled to cumulative dividends, when and as declared by the Board of Directors out of funds legally available for such purpose, at an annual rate of 6-1/2%, payable quarterly. During 1994, $1,281,000 in such dividends were paid.

(4) Extraordinary Charge

During 1995, the Company entered into a Credit Agreement to provide up to $110 million of senior secured debt, the proceeds of which were used to repay existing senior secured debt (see note 8). As a result of the financing, an extraordinary charge of $3.5 million ($2.1 million net of tax benefit), was recorded relating to the write-off of unamortized deferred financing costs associated with the previous bank financing.

(5) Inventories

Inventories at June 30 are summarized as follows (dollars in thousands):

	1996	1995
Retail Merchandise	$ 28,695	$ 30,485
Finished products	39,146	41,836
Work in process	12,803	13,389
Raw materials	26,580	28,405
	$107,224	$114,115

(6) Property, Plant and Equipment

Property, plant and equipment at June 30 are summarized as follows (dollars in thousands):

	1996	1995
Land and improvements	22,075	20,760
Buildings and improvements	152,915	148,341
Machinery and equipment	63,989	61,128
	238,979	230,229
Less accumulated depreciation	(79,345)	(69,114)
	$159,634	$161,115

(7) Intangibles

Intangibles at June 30 are summarized as follows (dollars in thousands):

	1996	1995
Product technology	$25,950	$25,950
Trademarks	28,200	28,200
Goodwill	11,333	11,333
Other	350	350
	65,833	65,833
Less accumulated amortization	(11,768)	(10,108)
	$54,065	$55,725

(8) Borrowings

Long-term debt at June 30 consists of the following (dollars in thousands):

	1996	1995
Revolving Credit Facility	$ 7,000	$ 46,000
8.75% Senior Notes due 2001	62,000	68,000
Other Debt:		
9.75% mortgage note payable in monthly installments through 2015 collateralized by Ethan Allen Inn	1,623	1,649
Industrial Revenue Bonds, 4.0% - 8.0%, maturing at various dates through 2011	8,455	8,521
Other	958	442
Total debt	80,036	124,612
Less current maturities	107	78
	$79,929	$124,534

During June 1996, the Company closed on loan commitments in the aggregate amount of approximately $1.4 million related to the modernization of its Beecher Falls manufacturing facility. Loans made pursuant to these commitments will bear interest at rates of 3 to 8% and will have maturities of 7 to 30 years. The loans will have a first and second lien in respect of equipment financed by such loans and a first and second mortgage interest in respect of a building, the construction of which was financed by such loans. Interest and principal on such loans will be paid monthly, commencing July 26, 1996, and October 15, 1996. As of June 30, 1996, the Company received $500,000 of loan proceeds which was included in long term debt at year end. Additional loan proceeds in the amount of $439,731 were received during July 1996.

During 1995, the Company completed a five year financing arrangement to provide up to $110.0 million of senior secured debt under a revolving credit facility pursuant to a Credit Agreement with Chase Manhattan Bank, as agent, proceeds of which were used to repay existing senior secured debt. The revolving credit facility includes a $40.0 million sub-facility for trade and standby letters of credit availability and a $3.0 million swingline loan sub-facility. Loans under the revolving credit facility bear interest at Chase Manhattan Bank's Alternative Base Rate, or adjusted LIBOR plus .5%, which is subject to adjustment arising from changes in the credit rating of Ethan Allen's senior secured debt. For the year ended June 30, 1996, the weighted-average interest rate was 6.81%. There are no minimum repayments required during the term of the facility.

The Credit Agreement is secured by a first lien in respect of Ethan Allen's accounts receivable, inventory, trademarks, patents, certain fixed assets and the Company's shares of Ethan Allen's capital stock. The Company has guaranteed Ethan Allen's obligation under the Credit Agreement and the Senior Notes and has pledged all the outstanding capital stock of Ethan Allen to secure its guarantee under the Credit Agreement.

The Credit Agreement and the Senior Note Indenture contain covenants requiring the maintenance of certain defined tests and ratios and limit the ability of Ethan Allen and the Company to incur debt, engage in mergers and consolidations, make restricted payments, make asset sales, make investments and issue stock. The Senior Notes, which rank pari passu in right of payment with loans under the Credit Agreement provide for the repurchase of the Senior Notes in the event of a change in control and the Credit Agreement and the Senior Note Indenture contain various customary events of default. Ethan Allen satisfied the requirements of covenants in the Credit Agreement and the Senior Note Indenture at June 30, 1996. The Senior Notes may not be redeemed at the option of the Company until March 15, 1998. The Company has announced that, from time to time, it will repurchase its Senior Notes in the open market. During fiscal 1996, 1995, and 1994, $6.0 million, $3.0 million, and $4.0 million, respectively, of Senior Notes were repurchased at 101.25%, 99.6%, and 100%, respectively.

Aggregate scheduled maturities of long-term debt for each of the five fiscal years subsequent to June 30, 1996, are as follows (dollars in thousands):

1997	$ 107
1998	93
1999	348
2000	7,095
2001	62,103

(9) Leases

Ethan Allen leases real property and equipment under various operating and capital lease agreements expiring through the year 2014. Leases covering retail outlets and equipment generally require, in addition to stated minimums, contingent rentals based on retail sales and equipment usage. Generally, the leases provide for renewal for various periods at stipulated rates.

Property, plant and equipment include the following amounts for leases which have been capitalized at June 30 (dollars in thousands):

	1996	1995
Land	$ 103	$ 103
Buildings and improvements	911	911
Machinery and equipment	11,021	10,381
	12,035	11,395
Accumulated depreciation	(9,833)	(8,953)
	$ 2,202	$ 2,442

Future minimum payments by year and in the aggregate, under the capital leases and non-cancelable operating leases, with initial or remaining terms of one year or more consisted of the following at June 30, 1996 (dollars in thousands):

Fiscal Year Ending June 30:	Capital Leases	Operating Leases
1997	$ 2,823	$ 8,046
1998	1,843	6,727
1999	1,465	5,637
2000	1,015	4,678
2001	210	3,750
Subsequent to 2001	1,020	19,867
Total minimum lease payments	8,376	$48,705
Amounts representing interest	3,233	
Present value of future minimum lease payments	5,143	
Less amounts due in one year	2,391	
Long-term obligations under capital leases	$ 2,752	

The above amounts will be offset by minimum future rentals from subleases of $8,524,000 on operating leases.

Total rent expense for the fiscal years ended June 30 was as follows (dollars in thousands):

	1996	1995	1994
Basic rentals under operating leases	$ 14,419	$ 8,579	$ 7,124
Contingent rentals under operating leases	1,082	4,294	3,121
	15,501	12,873	10,245
Less sublease rent	1,782	2,091	1,849
	$ 13,719	$10,782	$ 8,396

(10) Shareholders' Equity

On May 20, 1996, the Board of Directors adopted a Stockholder Rights Plan and declared a dividend of one Right for each outstanding share of common stock as of July 10, 1996. Each Right entitles its holder, under certain circumstances, to purchase one one-hundredth of a share of the Company's Series C Junior Participating Preferred Stock at a price of $125.00 (subject to adjustment).

The Rights may not be exercised until 10 days after a person or group acquires 15% or more of the Company's common stock, or 15 days after the commencement or the announcement of the intent to commence a tender offer which, if consummated, would result in a 15% or more ownership of the Company's common stock.

Until then, separate Rights certificates will not be issued, nor will the Rights be traded separately from the stock.

Should an acquirer become the beneficial owner of 15% of the Company's common stock, and under certain additional circumstances, the Company's stockholders (other than the acquirer) would have the right to receive in lieu of the Series C Junior Participating Preferred Stock, a number of shares of the Company's common stock, or in stock of the surviving enterprise if the Company is acquired, having a market value equal to two times the purchase price.

The Rights will expire on May 31, 2006, unless redeemed prior to that date. The redemption price is $0.01 per Right. The Board of Directors may redeem the Rights at its option any time prior to the announcement that a person or group has acquired 15% or more of the Company's common stock.

The Company's authorized capital stock consists of (a) 35,000,000 shares of Common Stock, par value $.01 per share, (b) 600,000 shares of Class B Common Stock, par value $.01 per share, (c) 1,055,000 shares of Preferred Stock, par value $.01 per share of which (i) 30,000 shares have been designated Series A Redeemable Convertible Preferred Stock ("the Redeemable Convertible Preferred Stock"), (ii) 30,000 shares have been designated Series B Redeemable Convertible Preferred Stock, (iii) 155,010 shares have been designated as Series C Junior Participating Preferred Stock, and (iv) the remaining 839,990 shares may be designated by the Board of Directors with such rights and preferences as they determine (all such preferred stock, collectively, the "Preferred Stock"). As of June 30, 1996, no shares of Preferred Stock or shares of Class B Common Stock were issued or outstanding.

On May 20, 1996, the Company declared a $.04 quarterly dividend payable to all stockholders of record as of July 10, 1996.

(11) Employee Stock Plans

The Company has reserved 896,591 shares of Common Stock for issuance pursuant to the Company's stock option plans as follows:

1992 Stock Option Plan

The 1992 Stock Option Plan provides for the grant of options to key employees and non-employee directors to purchase shares of Common Stock that are either qualified or non-qualified under Section 422 of the Internal Revenue Code, as well as stock appreciation rights on such options. The awarding of such options is determined by the Compensation Committee of the Board of Directors after consideration of recommendations proposed by the Chief Executive Officer. The options vest 25% per year over a four-year period and are exercisable at the market value of the Common Stock at the date of grant. The maximum number of shares of Common Stock reserved for issuance under the 1992 Stock Option Plan is 580,199 shares. Options covering 34,000 shares have been issued to independent directors and are exercisable at prices ranging from $18.00 to $19.50 per share and will vest 50% on each of the first two anniversary dates of the grant. Options to purchase 60,000 shares were awarded to Mr. Kathwari during fiscal year 1995 and an additional 240,000 options to purchase shares were awarded to Mr. Kathwari during 1996. These options are exercisable at $19.50 and $19.00 per share, respectively and will vest over seven years commencing with the first vesting date of July 27, 1994, and each of the next six years. Through June 30, 1995, options to purchase 152,000 shares were issued to other employees with exercise prices ranging from $19.00 to $19.50 per share and options to purchase 46,700 shares were issued to certain key employees in fiscal 1996 and are exercisable at $19.00 per share.

Incentive Stock Option Plan

Pursuant to the Incentive Stock Option Plan, the Company has granted to members of management options to purchase 276,514 shares of Common Stock at an exercise price of $16.50 per share. Such options vest twenty percent per year over a five-year period.

Management Warrants

Warrants to purchase 174,955 shares of Common Stock were granted to certain key members of management during fiscal 1992 and 1991. The warrants are currently exercisable at $3.675 per share.

Earn-In Warrants

Earn-In Warrants have been fully earned and have been allocated to Ethan Allen's managers and employees. Earn-In Warrants are exercisable at $.375 per share.

Stock option and warrant activity during 1996, 1995 and 1994 is as follows:

	Number of shares			
	1992 Stock Option Plan	Incentive Options	Management Warrants	Earn-In Warrants
Outstanding at June 30, 1993	-	268,251	164,458	133,333
Granted in 1994	115,600	-	-	-
Exercised in 1994	-	-	(6,466)	-
Canceled in 1994	(1,700)	(12,800)	(10,604)	(1,500)
Outstanding at June 30, 1994	113,900	255,451	147,388	131,833
Granted in 1995	121,400	-	-	-
Exercised in 1995	(250)	(3,467)	(26,297)	(7,049)
Canceled in 1995	(8,350)	(12,000)	(312)	(4,333)
Outstanding at June 30, 1995	226,700	239,984	120,779	120,451
Granted in 1996	295,700	-	-	-
Exercised in 1996	(2,950)	(67,350)	(30,319)	(43,996)
Canceled in 1996	(12,725)	(10,875)	(3,117)	(5,966)
Outstanding at June 30, 1996	506,725	161,759	87,343	70,489
Exercisable at June 30, 1996	158,908	161,759	87,343	70,489

(12) Income Taxes

Income tax expense consists of the following for the fiscal years ended June 30 (dollars in thousands):

	1996	1995	1994
Current:			
Federal	$ 14,445	$ 12,172	$ 10,489
State	3,778	3,367	3,557
Total current	18,223	15,539	14,046
Deferred:			
Federal	517	(392)	2,280
State	105	(1,914)	(279)

Total deferred	622	(2,306)	2,001
Income tax expense on income before extraordinary charge and the cumulative effect of accounting change	$ 18,845	$ 13,233	$ 16,047

The following is a reconciliation of expected income taxes (computed by applying the Federal statutory rate to income before taxes, extraordinary charge and cumulative effect of accounting change) to actual income tax expense (dollars in thousands):

	1996	1995	1994
Computed "expected" income tax expense	$16,447	$12,588	$13,516
State income taxes, net of federal income tax benefit	2,016	1,987	2,130
Goodwill amortization	99	99	99
Increase in federal tax rate, effect on deferred tax balances	-	-	500
Decrease in state deferred tax balances, due to business reorganization (note 15)	-	(1,660)	-
Other, net	283	219	(198)
Income tax expense on income before extraordinary charge and cumulative effect of accounting change	$18,845	$13,233	$16,047

The significant components of the deferred tax expense (benefit) are as follows (dollars in thousands):

	1996	1995	1994
Deferred tax expense (benefit) exclusive of the component below	$ (885)	$ (3,938)	$ 882
Utilization of net operating loss carryforwards	1,507	1,632	1,119
	$ 622	$ (2,306)	$ 2,001

The components of the net deferred tax liability as of June 30 are as follows (dollars in thousands):

	1996	1995
Deferred tax assets:		
Accounts receivable	$ 1,204	$ 1,849
Inventories	3,513	3,927
Other liabilities and reserves	4,588	3,729
Net operating loss carryforwards	13,256	14,763
Total deferred tax asset	22,561	24,268
Deferred tax liabilities:		
Property, plant and equipment	29,006	30,853
Intangible assets other than goodwill	16,194	16,684
Miscellaneous	892	840
Total deferred tax liability	46,092	48,377
Net deferred tax liability	$23,531	$24,109

The Company has tax operating loss carryforwards of approximately $33.9 million at June 30, 1996, of which $12.0 million expires in 2006, $11.3 million expires in 2007 and $10.6 million expires in 2008. Pursuant to Section 382 of the Internal Revenue Code, the Company's utilization of the net operating loss carryforwards are subject to an annual limitation of approximately $3.9 million.

Management believes that the results of future operations will generate sufficient taxable income to realize deferred tax assets.

(13) Retirement Programs - Employee Benefits

Retirement Program

Ethan Allen's profit sharing plan, which is the primary retirement program, is a defined contribution plan. Contributions to the profit sharing plan are made at the discretion of management. Profit sharing expense was $1,876,000 in 1996, $1,008,000 in 1995, and $750,000 in 1994.

401(k) Employee Savings Plan

Ethan Allen offers a 401(k) Employee Savings Plan to all employees of Ethan Allen who have completed at least one year of service (1,000 hours) during the plan year. Ethan Allen may, at its discretion, make a matching contribution on behalf of each participant, provided the contribution does not exceed 50% of the participant's contribution or $400 per participant per Plan Year.

Other Retirement Plans and Benefits

Ethan Allen provides additional benefits to selected members of senior and middle management in the form of deferred compensation arrangements and a management incentive program. The total cost of these benefits was $2,047,000, $1,157,000, and $1,489,000 in 1996, 1995 and 1994, respectively.

(14) Wholly-Owned Subsidiary

The Company owns all of the outstanding stock of Ethan Allen and has no material assets other than its ownership of Ethan Allen stock and conducts all significant operating transactions through Ethan Allen. The Company has guaranteed Ethan Allen's obligation under the Credit Agreement and the Senior Notes and has pledged all the outstanding capital stock of Ethan Allen to secure its guarantee under the Credit Agreement.

The condensed balance sheets of Ethan Allen as of June 30 are as follows (dollars in thousands):

Assets	1996	1995
Current assets	$168,261	$176,068
Non-current assets	231,163	232,153
Total assets	$399,424	$408,221
Liabilities		
Current liabilities	$ 58,517	$ 52,583
Non-current liabilities	116,553	161,718
Total liabilities	$175,070	$214,301

A summary of Ethan Allen's operating activity for each of the years in the three-year period ended June 30, 1996, is as follows:

	1996	1995	1994
Net sales	$509,776	$476,111	$437,286
Gross profit	205,126	185,073	170,782
Operating income	55,677	46,216	50,286
Interest expense	8,882	10,777	11,943
Amortization of deferred financing costs	734	1,160	1,384
Income before income taxes, extraordinary charge, and cumulative effect of accounting change	47,095	36,037	38,674
Net income	$ 28,250	$ 22,198	$ 22,627

(15) Business Reorganization

The Company implemented a business reorganization ("Reorganization") effective July 1, 1995, which permitted a separation of manufacturing operations from distribution and store operations. This has given the Company additional flexibility to permit it to reduce its aggregate state corporate income tax liability by allocating income to the operations responsible for generating such income, thereby reducing the Company's effective tax rate. The Company believes that the separation of manufacturing operations from distribution and store operations also provides for improved measures of performance including profitability of operations and return on assets, by allowing the Company to more easily allocate income, expenses and assets to the separate operations of the Company's business. The Reorganization consisted principally of the following elements: (i) the contribution of Ethan Allen's manufacturing equipment to Ethan Allen Manufacturing Corporation ("EAMC"), which is a wholly owned subsidiary of Ethan Allen, (ii) EAMC entered into operating lease arrangements with Ethan Allen for real property used in manufacturing operations, (iii) the contribution by Ethan Allen of certain of Ethan Allen's trademarks and service marks, design patents and related assets to Ethan Allen Finance Corporation ("EAFC") which is a wholly owned subsidiary of Ethan Allen, (iv) the full and unconditional guarantee on a senior unsecured basis of Ethan Allen's obligations under Ethan Allen's Credit Agreement and Senior Notes due 2001 by each of EAMC and EAFC and Andover Woods Products Inc. ("Andover", a wholly owned subsidiary of Ethan Allen), (v) the amendment of the Company's existing guarantee of Ethan Allen's obligations under the Senior Notes to include a guarantee of each Guarantor Subsidiary's obligations under its Subsidiary Guarantee, (vi) the execution of a management agreement and a service mark licensing agreement between Ethan Allen and EAFC, (vii) the execution of a management agreement and a trademark licensing agreement between EAMC and EAFC and (viii) the execution of a manufacturing agreement between Ethan Allen and EAMC. Ethan Allen continues to own its headquarters building in Danbury, Connecticut, the real property associated with EAMC's manufacturing operations and the assets and liabilities associated with the current Ethan Allen-owned retail operations and Ethan Allen's distribution, service and home delivery operations.

Costs associated with the Reorganization of $750,000, including consent fees paid to the holders of the Company's Senior Notes, were recorded in fiscal 1995.

The summarized historical combined balance sheet information for EAMC, EAFC, and Andover (the "Guarantor Subsidiaries") at June 30, 1996 and 1995 is as follows (dollars in thousands):

	June 30 1996	June 30 1995
Assets		
Current assets	$ 46,394	$ 43,609
Non-current assets	164,602	68,057
Total assets	$ 210,996	$ 111,666
Liabilities		
Current liabilities	$ 21,346	$ 139
Non-current liabilities	17,939	19,439
Total liabilities	$ 39,285	$ 19,578

Summarized historical combined operating activity of the Guarantor Subsidiaries for each of the years in the three-year period ended June 30, 1996 is as follows (dollars in thousands):

	1996	1995	1994
Net Sales	$ 317,563	$ 292,148	$ 275,496
Gross Profit	57,227	38,721	37,356
Operating Income	39,324	15,882	14,304
Income before income taxes	43,636	15,717	14,310
Net income	$ 26,400	$ 9,351	$ 8,524

The summarized historical financial information for the Guarantor Subsidiaries above, has been derived from the financial statements of the Company.

(16) Litigation

The Company has been named as a potentially responsible party ("PRP") for the cleanup of four 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"). Numerous other parties have been identified as PRP's at these sites. The Company believes its share of waste contributed to these sites is small in relation to the total; however, liability under CERCLA may be joint and several. The

Company has total reserves of $500,000 applicable to these sites, which would be sufficient to cover any resulting liability. With respect to all of these sites, the Company believes that it is not a major contributor based on the very small volume of waste generated by the Company in relation to total volume at the site. For three of the sites, the site assessment is at a very early stage and there has been no allocation of responsibility among the parties. Environmental assessment activity with respect to these sites is expected to continue over the next few years. With respect to the fourth site, final allocation is in the process of being negotiated.

(17) Related Party Transactions

The Company has outstanding notes receivable of $51,000 from members of management at June 30, 1996 ($592,000 at June 30, 1995), the proceeds of which were used to purchase the Company's common stock. Accordingly, the notes receivable are reflected as a reduction of shareholders' equity in the balance sheet. Such loans bear interest at 7% and are payable January 1997.

(18) Segment Information

The Company's operations are classified into two business 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 galleries. The retail home furnishings segment sells home furnishing products through a network of Ethan Allen-owned galleries. These products consist of case goods (wood furniture), upholstered products, and home accessories.

Wholesale profitability includes the wholesale gross margin which is earned on wholesale sales to all retail galleries, including Ethan Allen-owned galleries. The retail profitability includes the retail gross margin which is earned based on purchases from the wholesale business. Inter-segment eliminations primarily comprise the wholesale sales and profit on the transfer of inventory between segments. Operating earnings by business segment are defined as sales less operating costs and expenses. Income and expense items, such as corporate operating expenses, are included in the applicable segment. Identifiable assets are those assets used exclusively in the operations of each business segment. Corporate assets principally comprise cash, deferred financing costs, and deferred income taxes.

The following table shows sales, operating earnings and other financial information by business segment for the fiscal years ended June 30, 1996, 1995, and 1994 (dollars in thousands):

	Wholesale	Retail	Inter-Segment Eliminations	Consolidated
1996				
Net sales	$433,886	$155,601	$ (79,711)	$509,776
Operating income	53,745	4,059	(2,237)	55,567
Interest and other income	663	376	-	1,039
Less: Interest expense	-	-	-	(9,616)
Income before income tax expense				46,990
Depreciation and amortization	15,199	1,562	-	16,761
Identifiable assets	327,371	48,350	-	375,721
Cash				9,078
Deferred income taxes				9,305
Deferred financing costs				1,877
Total assets				395,981
Capital expenditures	7,421	5,893	-	13,314

	Wholesale	Retail	Inter-Segment Eliminations	Consolidated
1995				
Net sales	$415,412	$133,168	$(72,469)	$476,111
Operating income	46,012	2,625	(2,501)	46,136
Interest and other income	1,451	315	-	1,766
Less: Interest expense				(11,937)
Income before income tax				

expense, extraordinary charge, and cumulative effect of accounting change				35,965
Depreciation and amorization	14,798	1,300	-	16,098
Identifiable assets	338,572	50,314	-	388,886
Cash				7,546
Deferred income taxes				9,505
Deferred financing costs				2,351
Total assets				408,288
Capital expenditures	5,768	5,476	-	11,244

	Wholesale	Retail	Inter-Segment Eliminations	Consolidated
1994				
Net sales	$392,355	$105,086	$ (60,155)	$437,286
Operating income	51,769	2,052	(3,608)	50,213
Interest and other income	1,594	138	-	1,732
Less: Interest expense				(13,327)
Income before income tax expense				38,618
Depreciation and amortization	14,566	1,293	-	15,859
Identifiable assets	338,333	51,322	-	389,655
Cash				6,731
Deferred income taxes				10,630
Deferred financing costs				6,271
Total assets				413,287
Capital expenditures	5,585	5,382	-	10,967

(19) Selected Quarterly Financial Data (Unaudited)

Tabulated below are certain data for each quarter of the fiscal years ended June 30, 1996 and 1995 (dollar amounts in thousands, except per share data).

	Quarter Ended			
	September 30	December 31	March 31	June 30
1996 Quarters:				
Net sales	$116,941	$127,212	$134,631	$130,992
Gross profit	45,471	51,355	54,141	54,159
Net income	4,500	7,841	8,348	7,456
Net income per common share	$ 0.31	$ 0.54	$ 0.57	$ 0.51
1995 Quarters:				
Net sales	$113,535	$125,735	$123,615	$113,226
Gross profit	44,944	48,189	47,878	44,062
Income before extraordinary charge and cumulative effect of accounting change	5,839	7,139	6,890	2,864
Extraordinary charge	-	-	(2,073)	-
Cumulative effect of accounting change	1,467	-	-	-
Net income	$ 7,306	$ 7,139	$ 4,817	$ 2,864
Net income per common share before extra-ordinary charge and cumulative effect of accounting change	$ 0.40	$ 0.49	$ 0.47	$ 0.20
Net income per common share	$ 0.50	$ 0.49	$ 0.33	$ 0.20

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

No changes in or disagreements with accountants on accounting or financial disclosure occurred in fiscal years 1996 and 1995.

PART III

Part III is omitted as the Company intends to file with the Commission within 120 days after the end of the Company's fiscal year a definitive proxy statement pursuant to Regulation 14A which will involve the election of directors.

ITEM 10. Directors and Executive Officers of the Registrant

See reference to definitive proxy statement under Part III.

ITEM 11. Executive Compensation

See reference to definitive proxy statement under Part III.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

See reference to definitive proxy statement under Part III.

ITEM 13. Certain Relationships and Related Transactions

See reference to definitive proxy statement under Part III.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Listing of Documents

(1) Financial Statements. The Company's Consolidated Financial Statements included in Item 8 hereof, as required at June 30, 1996 and 1995, and for the years ended June 30, 1996, 1995 and 1994, consist of the following:

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Cash Flows

Consolidated Statements of Shareholders' Equity

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules. Financial Statement Schedules of the Company appended hereto, as required for the years ended June 30, 1996, 1995 and 1994, consist of the following:

II. Valuation and Qualifying Accounts

The schedules listed in Reg. 210.5-04, except those listed above, have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(3) The following Exhibits are filed as part of this report on Form 10-K:

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Exhibit Number	Exhibit
<S>	<C>
*2(a)	Agreement and Plan of Merger, dated May 20, 1989 among the Company, Green Mountain Acquisition Corporation ("Merger Sub"), INTERCO Incorporated, Interco Subsidiary, Inc. and Ethan Allen
*2(b)	Restructuring Agreement, dated as March 1, 1991, among Green Mountain Holding Corporation, Ethan Allen, Chemical Bank, General Electric Capital Corporation, Smith Barney Inc. and the stockholder's name on the signature page thereof
*3(a)	Restated Certificate of Incorporation for Green Mountain Holding Corporation
*3(b)	Restated and Amended By-Laws of Green Mountain Holding Corporation
*3(c)	Restated Certificate of Incorporation of the Company
*3(d)	Amended and Restated By-laws of the Company
*3(e)	Certificate of Designation relating to the New Convertible Preferred Stock
*3(f)	Certificate of Incorporation of Ethan Allen Finance

Corporation

*3(g)	By-Laws of Ethan Allen Finance Corporation
*3(h)	Certificate of Incorporation of Ethan Allen Manufacturing Corporation
*3(i)	By-Laws of Ethan Allen Manufacturing Corporation
*4(a)	First Amendment to Management Non-Qualified Stock Option Plan
*4(b)	Second Amendment to Management Non-Qualified Stock Option Plan
*4(c)	1992 Stock Option Plan
*4(d)	Management Letter Agreement among the Management Investors and the Company
*4(e)	Management Warrant, issued by the Company to members of the Management of Ethan Allen
*4(f)	Form of Dealer Letter Agreement among Dealer Investors and the Company
*4(g)	Form of Kathwari Warrant, dated June 28, 1989
*4(j)	Form of Indenture relating to the Senior Notes
*4(j)-1	First Supplemental Indenture dated as of March 23, 1995 between Ethan Allen and the First National Bank of Boston for $75,000,000 8-3/4% Senior Notes due 2007
*4(k)	Credit Agreement among the Company, Ethan Allen and Bankers Trust Company
*4(k)-1	Amended Credit Agreement among the Company, Ethan Allen and Bankers Trust Company
*4(k)-2	110,000,000 Senior Secured Revolving Credit Facility dated March 10, 1995 between Ethan Allen and Chase Manhattan Bank
*4(l)	Catawba County Industrial Facilities Revenue Bond
*4(l)-1	Trust Indenture dated as of October 1, 1994 securing $4,600,000 Industrial Development Revenue Refunding Bonds, Ethan Allen Inc. Series 1994 of the Catawba County Industrial Facilities and Pollution Control Financing Authority
*4(m)	Lease for 2700 Sepulveda Boulevard, Torrance, California
*4(n)	Amended and Restated Warrant Agreement, dated March 1, 1991, among Green Mountain Holding Corporation and First Trust National Association
*4(o)	Exchange Notes Warrant Transfer Agreement
*4(p)	Warrant (Earned) to purchase shares of the Company's Common Stock dated March 24, 1993
*4(q)	Warrant (Earned-In) to purchase shares of the Company's Common Stock, dated March 23, 1993
*4(r)	Recapitalization Agreement among the Company, General Electric Capital Corporation, Smith Barney Inc., Chemical Fund Investments, Inc., Legend Capital Group, Inc., Legend Capital International Ltd., Castle Harlan, Inc., M. Farooq Kathwari, the Ethan Allen Retirement Program and other stockholders named on the signature pages thereto, dated as of March 24, 1993
*4(s)	Preferred Stock and Common Stock Subscription Agreement, dated March 24, 1993, among the Company, General Electric Capital Corporation, and Smith Barney Inc.
*10(b)	Employment Agreement, dated June 29, 1989, among Mr. Kathwari, the Company and Ethan Allen
*10(c)	Employment Agreement dated July 27, 1994 among Mr. Kathwari, the Company and Ethan Allen
*10(d)	Restated Directors Indemnification Agreement, dated March 1993, among the Company and Ethan Allen and their Directors
*10(e)	Registration Rights Agreement, dated March 1993, by and among Ethan Allen, General Electric Capital Corporation and Smith Barney Inc.
*10(f)	Form of management Bonus Plan, dated October 30, 1991
*10(g)	Ethan Allen Profit Sharing and 401(k) Retirement Plan
*10(h)	General Electric Capital Corporation Credit Card Agreement
11	Statement Regarding Computation of Per Share Earnings
*21	List of wholly-owned subsidiaries of the Company
*23(a)	Consent of KPMG Peat Marwick LLP.

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<FN>

* Incorporated by reference to the exhibits filed with the Registration Statement on Form S-1 of the Company and Ethan Allen Inc. filed with the Securities and Exchange Commission on March 16, 1993 (Commission File No. 33-57216) and the exhibits filed with the Annual Report on Form 10-K of the Company and Ethan Allen Inc. filed with the Securities and Exchange Commission of September 24, 1993 (Commission File No. 1-11806) and the Registration Statement on Form S-3 of the Company, Ethan Allen, Ethan Allen Manufacturing Corporation, Ethan Allen Finance Corporation and Andover Wood Products Inc. filed with the Securities and Exchange Commission on October 23, 1994 (Commission File No. 33-85578-01) and all supplements thereto.

(b) The Company filed a Form 8-K on July 3, 1996 related to the Company's declaration of a dividend of one preferred stock purchase right for each outstanding share of common stock of $.01 par value of the Company. The dividend is payable to stockholders of record at the close of business on July 10, 1996. Each right entitles the registered holder to purchase one one-hundredth (1/100) of a share of the Company's Series C Junior Participating Preferred Stock at a purchase price of $125.

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ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
As of and for the Fiscal Years Ended June 30, 1996, 1995 and 1994
(Dollars in thousands)

	Balance at Beginning of Period	Additions Charged to Income	Adjustments	Balance at End of Period
Receivables:				
Allowance for doubtful accounts:				
June 30, 1996	$ 4,567	$ 47	$ (1,639)	$ 2,975
June 30, 1995	$ 3,718	$ 977	$ (128)	$ 4,567
June 30, 1994	$ 4,547	$ 97	$ (926)	$ 3,718

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

By /s/ M. Farooq Kathwari

Chairman, Chief Executive Officer and Director

ETHAN ALLEN INC.
(Registrant)

By /s/ M. Farooq Kathwari

Chairman, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ M. Farooq Kathwari - ---------------------------- (M. Farooq Kathwari)	Chairman, Chief Executive Officer and Director
/s/ Clinton A. Clark - ---------------------------- (Clinton A. Clark)	Director
/s/ Kristin Gamble - ---------------------------- (Kristin Gamble)	Director
/s/ Steven A. Galef - ---------------------------- (Steven A. Galef)	Director
/s/ Horace McDonell - ----------------------------	Director

(Horace McDonell)

/s/ Edward H. Meyer - ---------------------------- (Edward H. Meyer)	Director
/s/ William W. Sprague - ----------------------------- (William W. Sprague)	Director
/s/ Edward P. Schade - ------------------------------ (Edward P. Schade)	Vice President & Treasurer
/s/ Gerardo Burdo - ------------------------------ (Gerardo Burdo)	Corporate Controller

EXHIBIT 11. STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

	Fiscal Year Ended June 30, 1996	1995
Primary Earnings Per Share:		
Average number of shares outstanding	14,366,000	14,384,000
Net effect of common stock equivalents	198,000	239,000
Average number of shares-primary	14,564,000	14,623,000
Net income available to common shareholders before extraordinary charge and cumulative effect of accounting change	$28,145,000	$22,732,000
Extraordinary charge	-	(2,073,000)
Cumulative effect of accounting change	-	1,467,000
Net income	$28,145,000	$22,126,000
Per Share Data:		
Net income per common shares, excluding extraordinary charge and cumulative effect of accounting change	$1.93	$1.56
Extraordinary charge	-	(0.14)
Cumulative effect of accounting change	-	0.10
Net income per common share	$1.93	$1.52

Earnings Per Common Share:

Earnings per common share are computed by dividing net earnings by the weighted average number of shares of common stock equivalents outstanding during each period. The Company has issued stock options and warrants which are the Company's only common stock equivalents.

Fully Diluted Earnings Per Share:

Fully diluted earnings per share is within 3% of primary earnings per share for all periods presented.