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

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

[X] **Annual Report Pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended June 30, 2005

or

[ ] **Transition Report Pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file Number 1-11692

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

Delaware	06-1275288
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer 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.

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

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 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.
[X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
[X] Yes [ ] No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
[ ] Yes [X] No

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 December 31, 2004, (the last day of the Company's most recently completed second fiscal quarter) was approximately $1,420,610,230. As of December 31, 2004, there were 35,497,507 shares of Common Stock, par value $.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: The definitive Proxy Statement for the 2005 Annual Shareholders Meeting is incorporated by reference into Part III hereof.

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PART I

Item 1. Business

Background

Incorporated in Delaware in 1989, Ethan Allen Interiors Inc., through its wholly-owned subsidiary, Ethan Allen Inc., and Ethan Allen Inc.'s subsidiaries (collectively, "Ethan Allen" or the "Company"), is a leading manufacturer and retailer of quality home furnishings and accessories, offering a full complement of home decorating solutions through the country's largest network of home furnishing retail stores. The Company was founded in 1932 and has sold products under the Ethan Allen brand name since 1937.

Mission Statement

The Company's primary business objective is to be a leader in style, providing its customers with a convenient, full-service, one-stop shopping alternative for their home decorating needs. In order to meet its stated objective, the Company has developed, and adheres to, a focused and comprehensive business strategy. The elements of this strategy, each of which represent specific home decorating solutions, include (i) the Company's vertically-integrated operating structure, (ii) its products and related marketing initiatives, (iii) its retail store network, (iv) its people, and (v) its numerous customer service offerings.

Operating Segments

The Company's operating segments represent strategic business areas which, although they operate separately, both offer the Company's complete line of home furnishings through their own distinctive services. The Company's operations are classified into two such segments: wholesale and retail. See Note 16 to the Consolidated Financial Statements included under Item 8 of this Annual Report for certain financial information regarding the Company's operating segments.

The wholesale segment is principally involved in the development of the Ethan Allen brand, which encompasses the design, manufacture, domestic and off-shore sourcing, sale and distribution of a full range of home furnishings to a network of independently-owned and Ethan Allen-owned stores as well as related marketing and brand awareness efforts. Wholesale profitability includes the wholesale gross margin, which is earned on wholesale sales to all retail stores, including Ethan Allen-owned stores.

The retail segment sells home furnishings to consumers through a network of Company-owned stores. Retail profitability includes the retail gross margin, which represents the difference between retail sales price and the cost of goods purchased from the wholesale segment.

While the manner in which the Company's home furnishings are marketed and sold is consistent, the nature of the underlying recorded sales (i.e. wholesale versus retail) and the specific services that each operating segment provides (i.e. wholesale manufacture and distribution versus retail sales) are different. Within the wholesale segment, the Company maintains revenue information according to each respective product line (i.e. case goods, upholstery, or home accessories and other). Sales of case good items include, but are not limited to, beds, dressers, armoires, night tables, dining room chairs and tables, buffets, sideboards, coffee tables, entertainment units, bathroom vanities and home office furniture. Sales of upholstery home furnishing items include sleepers, recliners, chairs, sofas, loveseats, cut fabrics and leather. Skilled craftsmen cut, sew and upholster custom-designed upholstery items which are available in a variety of frame and fabric options. Home accessory and other items include window treatments, wall decor, lighting, clocks, wood accents, bedspreads, decorative accessories, area rugs, bedding, and home and garden furnishings.

Revenue information by product line is not readily available within the retail segment as it is not practicable. However, because wholesale production and sales

are matched, for the most part, to incoming orders, the Company believes that the allocation of retail sales would be similar to that of the wholesale segment.

The Company evaluates performance of the respective segments based upon revenues and operating income. Inter-segment eliminations result, primarily, from the wholesale sale of inventory to the retail segment, including the related profit margin. Inter-segment eliminations also include items not allocated to reportable segments.

The Wholesale Segment:

For fiscal years 2005, 2004 and 2003, the wholesale segment recorded net sales of $663.2 million, $673.8 million, and $661.0 million, respectively. A breakdown of wholesale sales by product line for each of the last three fiscal years is provided below:

	Fiscal Year Ended June 30,		
	2005	2004	2003
Case Goods	49%	52%	53%
Upholstered Products	36	34	33
Home Accessories and Other	15	14	14
	100%	100%	100%

The Company has 12 manufacturing facilities which consist of 6 case good plants (2 of which include separate sawmill operations), 5 upholstery plants and 1 home accent plant, all located in the United States. The Company also sources selected case good, upholstery, and home accessory items from third-party vendors located both domestically and abroad.

In the fourth quarter of fiscal 2004, the Company announced a plan to close and consolidate two of its manufacturing facilities. The plants, both involved in the production of case goods, were located in Boonville, New York and Bridgewater, Virginia. The plant closures resulted in a headcount reduction totaling approximately 460 employees; 270 employees effective June 25, 2004, and 190 employees throughout the first quarter of fiscal 2005. A pre-tax restructuring and impairment charge of $12.8 million was recorded for costs associated with these plant closings, of which $4.5 million related to employee severance and benefits and other plant exit costs, and $8.3 million related to fixed asset impairment charges, primarily for real property and machinery and equipment associated with the closed facilities. During the first six months of fiscal 2005, the final cash payments related to these plant closings were made and adjustments totaling $0.2 million were recorded to reverse the remaining previously established accruals which were no longer required.

In the third quarter of fiscal 2003, the Company announced a plan to close three of its smaller manufacturing facilities. Closure of these facilities resulted in a headcount reduction totaling approximately 580 employees; 340 employees effective April 21, 2003, and 240 employees throughout the last quarter of fiscal 2003 and the first quarter of fiscal 2004. A pre-tax restructuring and impairment charge of $13.4 million was recorded for costs associated with these plant closings, of which $4.5 million related to employee severance and benefits and other plant exit costs, and $8.9 million related to fixed asset impairment charges, primarily for real property and machinery and equipment associated with the closed facilities. During the quarter ended September 30, 2003, adjustments totaling $0.2 million were recorded to reverse certain of these previously established accruals which were no longer required.

Product Sourcing Activities

Ethan Allen is one of the largest manufacturers of home furnishings in the United States, currently manufacturing and/or assembling approximately 65-70% of its products within 12 manufacturing facilities, 2 of which include separate sawmill operations. The balance of the Company's production is outsourced through third-party vendors, most of which are located abroad. The Company's case good 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 stores and are situated where skilled craftsmen are available. The Company believes that continued investment in its manufacturing facilities, combined with an appropriate level of outsourcing through both foreign and domestic vendors, will accommodate future sales growth and allow the Company to maintain a greater degree of control over cost, quality and service to its customers.

Raw Materials and Other Suppliers

The most important raw materials used by Ethan Allen in furniture manufacturing are lumber, veneers, plywood, hardware, glue, finishing materials, glass, mirrored glass, laminates, fabrics, foam, and filling material. The various types of wood used in Ethan Allen's products include cherry, ash, 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 significant 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, the Company believes, contributes to its ability to obtain competitive pricing. Lumber prices fluctuate over time based on factors such as weather and demand, which, in turn, impact availability. Upward trends in prices could have an adverse effect on margins.

Appropriate amounts of lumber and fabric inventory are typically stocked so as to maintain adequate production levels. The Company believes that its sources of supply for these materials are sufficient and that it is not dependent on any one supplier.

The Company enters into standard purchase agreements with certain foreign and domestic vendors to source selected case good, upholstery, and home accessory items. The terms of these arrangements are customary for the industry and do not contain any long-term contractual obligations on behalf of the Company. Ethan Allen believes it maintains good relationships with its vendors.

Distribution and Logistics

Within the wholesale segment, Ethan Allen distributes its products primarily through a national network of 7 owned and 5 leased distribution centers strategically located throughout the United States. These distribution centers hold finished product received from Ethan Allen's manufacturing facilities, as well as its domestic and off-shore vendors, for shipment to Ethan Allen retail stores or retail 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 one-third of all shipments are made to and from the distribution and retail service centers by the Company's fleet of trucks and trailers. The remaining shipments are subcontracted to independent carriers. Approximately 45% of the Company's fleet (trucks and trailers) is leased under two to seven-year leases.

Ethan Allen's policy is to sell its products at the same delivered cost to all Company-owned and independently-owned stores nationwide, regardless of their shipping point. The adoption of this policy has created credibility by offering product at one suggested national retail price and eliminated the need for the Company's retailers to carry significant amounts of inventory in their own warehouses. As a result, Ethan Allen obtains more accurate information regarding sales in order to better plan production runs and manage inventory levels.

Backlog and Net Orders Booked

As of June 30, 2005, Ethan Allen had a wholesale backlog of $49.3 million, compared to a backlog of $51.4 million as of June 30, 2004. The backlog is anticipated to be serviced in the first quarter of fiscal 2006. 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 Ethan Allen stores (including independently-owned and Company-owned stores) for the twelve months ended June 30, 2005 were $666.1 million as compared to $686.5 million for the twelve months ended June 30, 2004. Net orders booked in any period are recorded based on wholesale prices and do not reflect the additional retail margins produced by Company-owned stores.

Advertising

Ethan Allen has developed a highly coordinated, national advertising campaign designed to (i) capitalize on the Company's existing brand equity, and (ii) maintain top-of-mind awareness of the breadth of the Company's product and service offerings. Ethan Allen's in-house staff, working with a leading advertising firm, has developed and implemented what the Company believes is the most cohesive national advertising campaign in the home furnishings industry. This campaign is designed to communicate the Company's position as a leader in style and a full-service provider of home furnishing solutions, and to increase the flow of traffic into stores.

In support of its Solutions campaign, launched nationally in fiscal 2004, Ethan Allen continues to utilize television, direct mail, newspaper, magazines and radio to market its products and services. Ethan Allen believes that its ability to coordinate its advertising efforts for all Ethan Allen branded stores provides a competitive advantage over other home furnishing manufacturers and retailers. With an exclusive network of more than 300 retail stores adhering to a uniform marketing approach and **"**speaking with one voice", Ethan Allen believes it is better positioned to fulfill its brand promise on a consistent basis.

The Ethan Allen direct mail magazine, which features the Company's home furnishing collections in lifestyle settings and communicates its breadth of services, is one of Ethan Allen's most important marketing tools. Approximately 57 million copies of the magazine were distributed to consumers during fiscal 2005, representing a 45% increase from the prior fiscal year. The Company publishes and sells the magazines to retailers of both Company-owned and independently-owned stores, who, with demographic information collected through independent market research, are able to target potential customers.

Ethan Allen's television advertising and direct mail efforts are supported by strong print and radio campaigns in various markets, and in leading home fashion magazines using advertisements and public relations efforts. The Company coordinates significant advertisements in major newspapers in major markets. During fiscal 2005, the Company also distributed a publication entitled "Solutions for Living". This 288-page book, which includes a complete catalogue of the Company's home furnishing collections, helps customers identify their own personal style using Ethan Allen product offerings. The Company believes these publications represent one of the most comprehensive and effective home decorating resources in the home furnishings industry.

Internet

Ethan Allen is located on the worldwide web at www.ethanallen.com. The Company's primary goal for the website is to drive additional business into the retail network through lead generation and information sourcing. Customers may access the Company's website to review home furnishing collections or to purchase selected home accessories. On average, over 18,000 daily users logged onto the Ethan Allen website during fiscal 2005.

The Company has also developed an extranet website which links the retail stores with consumer information captured on-line such as customer requests for design assistance and copies of the Company's catalogue. This medium has become the primary source of communications between the Company and its retail network providing a variety of information, including a Company-wide daily news flash, downloads of current advertising materials, prototype store display floor plans and detailed product information.

The Retail Segment:

For fiscal years 2005, 2004, and 2003, the retail segment recorded net sales of $586.2 million, $576.2 million, and $526.4 million, respectively.

Ethan Allen sells its products through an exclusive network of 313 retail stores. As of June 30, 2005, Ethan Allen owned and operated 126 stores (as compared to 127 at the end of the prior fiscal year) and independent retailers owned and operated 187 stores. The geographic distribution of all retail store locations is included under Item 2 of this Annual Report. During 2005, the Company acquired 6 stores from, and sold 4 stores to, independent retailers, opened 7 new stores (of which 5 were relocations), and closed 5 stores. In the past five years, Ethan Allen and its independent retailers have opened 78 new stores, approximately 40% of which were relocations.

In fiscal 2005, wholesale sales to independent retailers and retail sales of Company-owned stores accounted for approximately 38% and 62%, respectively, of Ethan Allen's total net sales. The ten largest independent retailers own a total of 36 stores, which, based on net orders booked, accounted for approximately 13% of total net sales in fiscal 2005.

Ethan Allen pursues further expansion of the Company-owned retail business by opening new stores, relocating existing stores and, when appropriate, acquiring stores from independent retailers. In addition, the Company continues to promote the development and growth of its independent retailers. All retailers are required to enter into license agreements with the Company which (i) authorize the use of certain Ethan Allen service marks and (ii) require adherence to certain standards of operation, including the exclusive sale of Ethan Allen products and a requirement to fulfill related warranty service agreements. Ethan Allen is not subject to any territorial or exclusive retailer agreements in the United States.

In October 2001, the Company formed a joint venture with MFI Furniture Group Plc to open a network of retail stores in the United Kingdom. The initial phase of the agreement, which calls for the two companies to collaborate on the development of a retail store format that will market their respective retail concepts, involves up to five stores with approximately 8,000 to 15,000 square feet per store. The first of these stores, located in the London suburb of Kingston, opened in May 2002. The second, located in the suburb of Bromley, opened in December 2002. Both retail locations have been included as independently-owned stores in compiling the Company's store count as of June 30, 2005.

Products

Ethan Allen's product strategy has been to position its brand as a "preferred" brand with superior quality and value while, at the same time, providing consumers with a comprehensive, one-stop shopping solution for their home furnishing needs. In carrying out its strategy, the Company continues to expand its reach to a broader consumer base through a diverse selection of attractively priced product lines, many of which have been designed to effectively complement one another, reflecting the recent trend toward more eclectic home decorating. In recent years, this effort is best evidenced by the introduction of collections such as Townhouse, Tuscany, Newport, New Country, and, most recently, Tango. These collections, as well as increased styles and fabric selections within the Company's custom upholstery line, new finishes within the Horizons line, the redesign of the Impressions line, and expanded product offerings to accommodate today's home theater trends, are serving to redefine Ethan Allen, positioning the Company as a leader in style. All of these product lines, each of which broadens the Company's consumer reach, are reflective of Ethan Allen's continuing efforts to offer well valued, stylish home furnishings that appeal to a variety of customers and lifestyles.

The Company believes that the two most important style categories in home furnishings are the "Classic" and the "Casual" product lifestyles. As such, Ethan Allen collections are designed to reflect unique elements applicable to each

lifestyle. To accomplish this, the Company's collections consist of case goods, coordinated upholstered products and home accessories, each styled with its own distinct design characteristics. Home accessories play an important role in Ethan Allen's marketing program as they enable the Company to offer the consumer the convenience of one-stop shopping by creating a comprehensive home furnishing solution. Ethan Allen's store interiors are designed to facilitate display of the Company's product offerings in complete room settings which utilize the related collections to project the category lifestyle.

Ethan Allen continuously monitors consumer demand through marketing research and communication with its retailers and store design consultants who provide valuable input on consumer trends. As a result, the Company believes that it is able to react quickly to changing consumer tastes. For example, since 1995, approximately 80% of the Company's current complement of collections is new. The balance has been refined and enhanced through product redesign, additions, deletions, and/or finish changes. Such undertakings are indicative of the Company's ability to adapt to the recent consumer trend toward more casual and eclectic lifestyles while, at the same time, maintaining a classic appeal.

During the past year, the Company also introduced its innovative everyday pricing program, eliminating periodic sale events in lieu of an "everyday best" price on all of its product offerings. The Company believes that this initiative demonstrates its commitment to differentiating itself through strategies focused on customer credibility and excellence in service. In addition, everyday pricing provided the Company the opportunity to critically examine all facets of its business, making substantive changes, where necessary, in order to more effectively carry out its solutions-based approach to home decorating.

Retail Store Network

Ethan Allen's interior and exterior store design is dependent on the store's location and size. Ethan Allen stores are located in busy urban settings as freestanding destination stores or as part of suburban strip malls, depending upon the real estate opportunities in a particular market. Currently, stores range in size from approximately 6,000 square feet to 35,000 square feet, with the average size of a store being approximately 15,000 square feet.

Ethan Allen maximizes uniformity of store presentation throughout the retail network through a comprehensive set of operating standards. These operating standards assist each store in presenting the same high quality image and offer retail customers consistent levels of product selection and service. A uniform store image is conveyed through Ethan Allen's ongoing program to model its retail stores with similar and consistent exterior facades and interior layouts. This program is carried out by all stores, including independently-owned stores.

Ethan Allen provides display planning assistance to all Company-owned stores and independent retailers to support them in updating the interior projection of their stores and to maintain a consistent image. Several years ago, the Company developed a standard interior design format for its retail stores which, through the use of focused lifestyle settings to display its products and information displays throughout the store to educate consumers, has positioned Ethan Allen as a specialist in "Classic" and "Casual" lifestyles and decorative accessory retailing.

People

At June 30, 2005, Ethan Allen has approximately 6,400 employees. Approximately 5% of those employees are represented by unions under collective bargaining agreements, most which expire at various times throughout the next three years. The Company expects no significant changes in its relations with these unions and believes it maintains good relationships with its employees.

The retail network, which includes both Company-owned and independently-owned stores, is staffed with a sales force of approximately 3,100 design consultants and professionals who provide customers with an effective home decorating solution at no additional charge. These employees receive appropriate training with respect to the

distinctive design and quality features inherent in each of the Company's products, allowing them to more effectively communicate the elements of style and value that serve to differentiate Ethan Allen. As such, the Company believes its design consultants, and the complimentary service they provide, create a distinct competitive advantage over other home furnishing retailers.

Ethan Allen recognizes the importance of its retail store network to its long-term success. Accordingly, the Company believes it has established strong management teams within Company-owned stores while, at the same time, maintaining effective relationships with independent retailers. With this in mind, the Company makes available its services to all stores in support of their marketing efforts, including coordinated national advertising, merchandising and display programs, and extensive training seminars and educational materials. Ethan Allen believes that the development of design consultants, project managers, service and delivery personnel, and retailers is important for the growth of its business. As a result, Ethan Allen has committed to make available a comprehensive training program that will help to develop retail managers/owners, design consultants and service and delivery personnel to their fullest potential.

Customer Service Offerings

Ethan Allen offers numerous customer service programs, each of which has been developed and introduced to consumers in an effort to make their shopping experience easier and more enjoyable.

Gift Card

This program allows customers to purchase, through the Company's website or at any participating retail store, gift cards which can be redeemed for any of the Company's products or services.

Wedding Registry

The primary objectives of the wedding registry program are to increase customer traffic in Ethan Allen's network of retail stores (and on-line), capture consumers in the early stage of their lifecycle, capitalize on the growing trend for non-traditional registries and promote the Company's complimentary design service. Ethan Allen believes this program further strengthens its competitive advantage by enhancing its current complement of service offerings with a national gift registry.

On-Line Room Planning

The Company offers, via its website, an interactive on-line room planning resource which serves to further assist consumers with their home decorating needs. Through the use of this web-based tool, customers can determine which Ethan Allen product offerings best fit their particular needs based on their own individual home floor plan.

Ethan Allen Consumer Credit Programs

The EA Finance Plus program offers consumers two financing options through the use of just one account. Consumers can choose between (i) the "Simple Finance Plan" which consists of fixed monthly payments ranging from 12 to 60 months at an interest rate of 9.99% per annum, and (ii) the revolving credit line which carries a variable interest rate currently ranging from 21.00% to 23.75% per annum. Both plans provide credit lines from $1,000 to $50,000. Financing offered through both programs is administered by a third-party financial institution and is granted on a non-recourse basis to the Company. Consumers may apply for an EA Finance Plus card at any participating retail store.

Competition

In recent years, the home furnishings industry, already highly competitive and fragmented, has faced additional challenges. Globalization, which represents the

most notable change within the industry landscape, has led to increased competitive pressures brought about by the increasing volume of imported finished goods and components, particularly for case good products, and the development of manufacturing capabilities in other countries, specifically within Asia. The increase in overseas production capacity in recent years has created over-capacity for many U.S. manufacturers, including Ethan Allen, which has led to industry-wide plant consolidation. In addition, because many foreign manufacturers are able to maintain substantially lower production costs, including the cost of labor and overhead, imported product is capable of being sold at a lower price to consumers which, in turn, has led to some measure of industry-wide price deflation. The Company believes that the aforementioned factors have contributed to the recent trend toward product commoditization, which is exacerbated by the overwhelming and wide-spread use of highly-promotional pricing policies and marketing strategies focused on "no money down" and "no interest".

During the last three years, as the industry has slowly been overcome by a greater degree of "sameness", Ethan Allen has, instead, used that time to further differentiate itself as a "preferred" brand by adhering to a business strategy focused on providing (i) high-quality products at good value, including the marketing of its products at an "everyday best" price, (ii) a comprehensive complement of home decorating solutions, including its complimentary design service, and (iii) excellence in customer service. The Company considers its vertical integration a significant competitive advantage in the current environment as it allows the Company to design, manufacture, source, distribute, market, and sell its products through the industry's largest sole-source retail store network. With respect to the issue of price deflation, Ethan Allen saw a foreign, low-cost supply of labor as an opportunity to introduce selected products to consumers at prices that, until recently, were not practical. As such, the Company continues to adhere to a blended strategy, establishing relationships with certain manufacturers, both domestically and abroad, to source selected case goods, upholstery, and home accessory items. Ethan Allen intends to continue to balance its domestic production with opportunities to source from foreign and domestic manufacturers, as appropriate, in order to maintain its competitive advantage.

Although Ethan Allen is currently among the ten largest domestic furniture manufacturers in the United States, the recent emergence of the foreign manufacturers referred to previously has served to broaden the competitive landscape. Some of these competitors may produce furniture types not manufactured by Ethan Allen and may have greater financial and other resources than the Company.

Ethan Allen sells its products through an exclusive network of Company-owned and independently-owned retail stores. Ethan Allen's objective is to continue to develop and strengthen its retail network by (i) expanding the Company-owned retail business through the opening of new stores, relocating existing stores and, when appropriate, acquiring stores from, or selling stores to, independent retailers, and (ii) obtaining and retaining independent retailers, assisting such retailers in increasing the volume of their sales.

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 that, more specifically, its store format and complimentary design service create a distinct competitive advantage, further supporting the Company's mission of providing consumers with a complete home decorating solution.

Trademarks

Ethan Allen currently holds, or has registration applications pending for, 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 in the United States and in many foreign countries. In addition, Ethan Allen has registered, or has applications pending for, many of its major collection names as well as certain of its slogans utilized in connection with promoting brand awareness, retail sales and other services. The Company views such trade and

service marks as valuable assets and has an ongoing program to diligently monitor and defend, through appropriate action, against their unauthorized use.

Available Information

The Company makes available, free of charge via its website, all Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other information filed with, or furnished to, the Securities and Exchange Commission ("SEC"), including amendments to such reports. This information is available at www.ethanallen.com/investors as soon as reasonably practicable after it is electronically filed with, or furnished to, the SEC.

In addition, charters of all committees of the Company's Board of Directors, as well as the Company's Corporate Governance guidelines, are available on the Company's website at www.ethanallen.com/governance or, upon written request, in printed hardcopy form. Written requests should be sent to Office of the Secretary, Ethan Allen Interiors Inc., Ethan Allen Drive, Danbury, Connecticut 06811.

Item 2. Properties

Item 2. Properties

The Company's corporate headquarters, located in Danbury, Connecticut, consists of one building containing 144,000 square feet, situated on approximately 18.0 acres of land, all of which is owned by Ethan Allen. Located adjacent to the corporate headquarters, and situated on approximately 5.4 acres, is the Ethan Allen Hotel and Conference Center, containing 195 guestrooms. This hotel, owned by a wholly-owned subsidiary of Ethan Allen, is used in connection with Ethan Allen functions and training programs, as well as for functions and accommodations for the general public.

Ethan Allen has 12 manufacturing facilities located in 8 states. All of these facilities are owned, with the exception of a leased upholstery plant in California, totaling 145,636 square feet. The Company's 12 facilities consist of 6 case good manufacturing plants (2 of which include separate sawmill operations), totaling 2,381,187 square feet; 5 upholstery furniture plants, totaling 1,234,136 square feet; and 1 plant involved in the manufacture and assembly of Ethan Allen's home accessory products, totaling 295,000 square feet.

In addition, Ethan Allen owns 7 and leases 5 ancillary distribution centers, totaling 1,346,570 square feet, and owns 3 and leases 27 retail service centers, totaling 1,194,765 square feet. The Company's manufacturing and distribution facilities are located in North Carolina, Vermont, Pennsylvania, Virginia, Oklahoma, California, New Jersey, Indiana, Illinois, and Maine. The Company's retail service centers are located throughout the United States and serve to support Ethan Allen's various sales districts.

The geographic distribution of the Company's retail store network as of June 30, 2005 is as follows:

	Retail Store Category	
	Company Owned	Independently Owned
United States	121	159
North America-Other (1)	5	3
Asia	--	20
Middle East	--	1
Europe	--	2
West Indies	--	1
Africa	--	1
Total	126	187

(1) Seven retail stores located in Canada were acquired by the Company during the first quarter of fiscal 2003. Subsequently, one store was closed and one store was sold to an independent Ethan Allen retailer.

Of the 126 retail stores owned and operated by the Company, 46 of the properties are owned and 80 of the properties are leased from independent third parties. Of the 46 Company-owned store locations, 11 are subject to land leases. The Company owns an additional 5 retail properties; 4 of which are leased to independent Ethan Allen retailers, and 1 which is leased to an unaffiliated third party.

Ethan Allen's manufacturing facility located in Maiden, North Carolina and the Ethan Allen Hotel and Conference Center located in Danbury, Connecticut, were financed, in part, with industrial revenue bonds. The bonds associated with the Maiden facility matured in October 2004 and were repaid in full at that time. The Beecher Falls, Vermont manufacturing facility was financed, in part, by the State of Vermont Economic Development Authority. Ethan Allen believes that all of its properties are well maintained and in good condition.

Ethan Allen estimates that its manufacturing division is currently operating at approximately 80% of capacity. The Company believes it has additional capacity at many facilities, which it could utilize with minimal additional capital expenditures.

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 is deemed to be 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 material adverse effect on the Company's financial condition, results of operations, or cash flows.

Environmental Matters

The Company and its subsidiaries are subject to various environmental laws and regulations. Under these laws, the Company and/or its subsidiaries are, or may be, required to remove or mitigate the effects on the environment of the disposal or release of certain hazardous materials.

As of June 30, 2005, the Company and/or its subsidiaries has been named as a potentially responsible party ("PRP") with respect to the remediation of four active sites currently listed, or proposed for inclusion, on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, ("CERCLA"). The sites are located in Lyndonville, Vermont; Southington, Connecticut; High Point, North Carolina; and Atlanta, Georgia.

With respect to the Lyndonville, Vermont site, the Company has substantially resolved its liability by completing remedial construction activities. The Company continues to work with the U.S. Environmental Protection Agency ("EPA") and has obtained a certificate of construction completion, subject to certain limited conditions. The Company does not anticipate incurring significant costs with respect to the Southington, Connecticut, High Point, North Carolina, or Atlanta, Georgia sites as it 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 those sites. Specifically, with respect to the Southington site, the Company's volumetric share is less than 1% of over 51 million gallons disposed of at the site and there are more than 1,000 PRPs. With respect to the High Point site, the Company's volumetric share is less than 1% of over 18 million gallons disposed of at the site and there are more than 2,000 PRPs, including 1,100 "de-minimis" parties (of which Ethan Allen is one). With respect to the Atlanta site, a former solvent recycling/reclamation facility, the Company's volumetric share is less than 1% of over 20 million gallons disposed of at the site by more than 1,700 PRPs. In all three cases, the other PRPs consist of local, regional, national and multi-national companies.

Liability under CERCLA may be joint and several. As such, to the extent certain named PRPs are unable, or unwilling, to accept responsibility and pay their apportioned costs, the Company could be required to pay in excess of its pro rata share of incurred remediation costs. The Company's understanding of the financial strength of other PRPs has been considered, where appropriate, in the determination of the Company's estimated liability.

In addition, in July 2000, the Company was notified by the State of New York (the "State") that it may be named a PRP in a separate, unrelated matter with respect to a site located in Carroll, New York. To date, no further notice has been received from the State and an initial environmental study has not yet been conducted at this site.

As of June 30, 2005, the Company believes that established reserves related to these environmental contingencies are adequate to cover probable and reasonably estimable costs associated with the remediation and restoration of these sites.

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. Such investigations and proceedings typically concern air emissions, water discharges, and/or management of solid and hazardous wastes. The Company believes that its facilities are in material compliance with all such applicable laws and regulations.

Regulations issued under the Clean Air Act Amendments of 1990 required the industry to reformulate certain furniture finishes or institute process changes to reduce emissions of volatile organic compounds. Compliance with many of these requirements has been facilitated through the introduction of high solids coating technology and alternative formulations. In addition, the Company has instituted a variety of technical and procedural controls, including reformulation of finishing materials to reduce toxicity, implementation of high velocity low pressure spray systems, development of storm water protection plans and controls, and further development of related inspection/audit teams, all of which have served to reduce emissions per unit of production. Ethan Allen remains committed to implementing new waste minimization programs and/or enhancing existing programs with the objective of (i) reducing the total volume of waste, (ii) limiting the liability associated with waste disposal, and (iii) continuously improving environmental and job safety programs on the factory floor which serve to minimize emissions and safety risks for employees. The Company will continue to evaluate the most appropriate, cost effective, control technologies for finishing operations and design production methods to reduce the use of hazardous materials in the manufacturing process.

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

No matters were submitted to security holders of the Company during the fourth quarter of fiscal 2005.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's Common Stock is traded on the New York Stock Exchange under ticker symbol "ETH". The following table indicates (i) the high and low stock prices as reported on the New York Stock Exchange and (ii) dividends declared by the Company:

	Closing Market Price		Dividends Declared
	High	Low	
Fiscal 2005			
First Quarter	$ 38.05	$ 33.69	$ 0.15
Second Quarter	42.73	33.80	0.15
Third Quarter	39.35	32.00	0.15
Fourth Quarter	34.06	29.80	0.15
Fiscal 2004			
First Quarter	$ 39.56	$ 34.05	$ 0.10
Second Quarter	41.88	35.64	0.10
Third Quarter	46.08	40.55	0.10
Fourth Quarter (1)	42.60	35.51	3.10

(1) On April 27, 2004, the Company declared a special, one-time cash dividend of $3.00 per common share, payable on May 27, 2004 to shareholders of record as of May 10, 2004.

As of September 7, 2005, there were approximately 390 shareholders of record of the Company's Common Stock.

On July 26, 2005, the Company declared a dividend of $0.18 per common share, payable on October 25, 2005 to shareholders of record as of October 11, 2005. The Company expects to continue to declare quarterly dividends for the foreseeable future.

Issuer Purchases of Equity Securities

Certain information regarding purchases made by or on behalf of the Company or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of our common stock during the three months ended June 30, 2005 is provided below:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (b)
April 2005 (a)	716,900	$ 31.48	716,900	691,100
May 2005	--	--	--	2,000,000
June 2005	--	--	--	2,000,000
Total	716,900	$ 31.48	716,900	

(a) Purchased in nine separate open market transactions on nine different trading days.

(b) On November 21, 2002, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase up to 2,000,000 shares of its common stock, from time to time, either directly or through agents, in the open market at prices and on terms satisfactory to the Company. Subsequent to that date, the Board of Directors increased the remaining authorization as follows: from 904,755 shares to 2,500,000 shares on April 27, 2004; from 753,600 shares to 2,000,000 shares on November 16, 2004; and from 691,100 shares to 2,000,000 shares on April 26, 2005.

Subsequent to June 30, 2005 and through September 9, 2005, the Company repurchased, in 17 separate open market transactions, an additional 1,140,000 million shares of its common stock at a total cost of $36.8 million, representing an average price per share of $32.28. As of September 9, 2005, the Company had a remaining Board authorization to repurchase 860,000 shares.

Stockholder Rights Plan

The Company has a Stockholder Rights Plan, a description of which is set forth in Note 9 to the Consolidated Financial Statements included under Item 8 of this Annual Report and incorporated herein by reference. Such description contains all of the required information with respect thereto.

Item 6. Selected Financial Data

The following historical consolidated statement of operations and balance sheet data for the fiscal years ended June 30, 2005, 2004, 2003, 2002 and 2001 have been derived from the consolidated financial statements of the Company. The information set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements of the Company (including the notes thereto) included within this Annual Report.

(in thousands, except per share data)

	Fiscal Year Ended June 30,				
	2005	**2004**	**2003**	**2002**	**2001**
Statement of Operations Data:					
Net sales	$ 949,012	$ 955,107	$ 907,264	$ 892,288	$ 904,133
Cost of sales	487,958	494,072	457,924	471,018	490,509
Selling, general and administrative expenses	332,295	322,111	316,752	286,888	281,723
Restructuring and impairment charge, net (1)	(219)	12,520	13,131	5,123	6,906
Operating income	128,978	126,404	119,457	129,259	124,995
Interest and other (income) expense, net	(442)	(2,691)	(517)	(2,344)	(2,056)
Income before income tax expense	129,420	129,095	119,974	131,603	127,051
Income tax expense	50,082	49,617	45,350	49,746	48,025
Net income	$ 79,338	$ 79,478	$ 74,624	$ 81,857	$ 79,026
Per Share Data:					
Net income per basic share	$ 2.24	$ 2.14	$ 1.98	$ 2.11	$ 2.01
Basic weighted average shares outstanding	35,400	37,179	37,607	38,828	39,390
Net income per diluted share	$ 2.19	$ 2.08	$ 1.93	$ 2.05	$ 1.96
Diluted weighted average shares outstanding	36,193	38,295	38,569	39,942	40,321
Cash dividends declared (2)	$ 0.60	$ 3.40	$ 0.25	$ 0.18	$ 0.16
Other Information:					
Depreciation and amortization (3)	$ 21,338	$ 21,854	$ 21,634	$ 19,503	$ 20,295
Capital expenditures, including acquisitions	$ 34,381	$ 24,976	$ 39,781	$ 73,481	$ 48,238
Working capital	$ 130,423	$ 161,772	$ 228,177	$ 193,354	$ 183,863
Current ratio	1.97	2.18	2.70	2.50	2.70
Balance Sheet Data (at end of period):					
Total assets	$ 628,386	$ 658,367	$ 735,008	$ 690,812	$ 621,069
Total debt, including capital lease obligations	$ 12,510	$ 9,221	$ 10,218	$ 9,321	$ 9,487
Shareholders' equity	$ 434,068	$ 456,140	$ 533,922	$ 508,170	$ 462,163
Debt as a percentage of equity	2.9%	2.0%	1.9%	1.8%	2.1%

See footnotes on following page.

(1) In the fourth quarter of fiscal 2004, the Company announced a plan to close and consolidate two of its manufacturing facilities. The plants, both involved in the production of case goods, were located in Boonville, New York and Bridgewater, Virginia. The plant closures resulted in a headcount reduction totaling approximately 460 employees: 270 employees effective June 25, 2004, and 190 employees throughout the first quarter of fiscal 2005. A pre-tax restructuring and impairment charge of $12.8 million was recorded for costs associated with these plant closings, of which $4.5 million related to employee severance and benefits and other plant exit costs, and $8.3 million related to fixed asset impairment charges, primarily for real property and machinery and equipment associated with the closed facilities. During the first six months of fiscal 2005, the final cash payments related to these plant closings were made and adjustments totaling $0.2 million were recorded to reverse the remaining previously established accruals which were no longer required.

In the third quarter of fiscal 2003, the Company announced a plan to close three of its smaller manufacturing facilities. Closure of these facilities resulted in a headcount reduction totaling approximately 580 employees: 340 employees effective April 21, 2003, and 240 employees throughout the last quarter of fiscal 2003 and the first quarter of fiscal 2004. A pre-tax restructuring and impairment charge of $13.4 million was recorded for costs associated with these plant closings, of which $4.5 million related to employee severance and benefits and other plant exit costs, and $8.9 million related to fixed asset impairment charges, primarily for real property and machinery and equipment associated with the closed facilities. During the first quarter of fiscal 2004, adjustments totaling $0.2 million were recorded to reverse certain of these previously established accruals which were no longer required.

In the fourth quarter of fiscal 2002, the Company announced a plan that involved the closure of one of its manufacturing facilities as well as the rough mill operation of a separate facility. Closure of these facilities resulted in a headcount reduction totaling approximately 220 employees: 150 employees effective June 29, 2002, and 70 employees throughout the first quarter of fiscal 2003. A pre-tax restructuring and impairment charge of $5.1 million was recorded for costs associated with these plant closings, of which $2.0 million related to employee severance and benefits and other plant exit costs, and $3.1 million related to fixed asset impairment charges, primarily for real property and machinery and equipment associated with the closed facilities. During the third quarter of fiscal 2003, adjustments totaling $0.2 million were recorded to reverse certain of these previously established accruals which were no longer required.

In the fourth quarter of fiscal 2001, the Company announced a plan that involved the closure of three of its manufacturing facilities and a headcount reduction totaling approximately 350 employees effective August 6, 2001. A pre-tax restructuring and impairment charge of $6.9 million was recorded for costs associated with these plant closings, of which $3.3 million related to employee severance and benefits and other plant exit costs, and $3.6 million related to fixed asset impairment charges, primarily for real property and machinery and equipment associated with the closed facilities. During the first quarter of fiscal 2003, adjustments totaling $0.1 million were recorded to reverse certain of these previously established accruals which were no longer required.

(2) On April 27, 2004, the Company declared a special, one-time cash dividend of $3.00 per common share, payable on May 27, 2004 to shareholders of record as of May 10, 2004.

(3) As a result of the Company's adoption of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, amortization of goodwill and indefinite-lived intangible assets ceased on July 1, 2001. The amount of amortization related to these assets totaled $1.8 million in fiscal 2001.

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

The following discussion of financial condition and results of operations is based upon, and should be read in conjunction with, the Consolidated Financial Statements of the Company (and notes thereto) included under Item 8 of this Annual Report.

Forward-Looking Statements

Management's discussion and analysis of financial condition and results of operations and other sections of this Annual Report contain forward-looking statements relating to future results of the Company. Such forward-looking statements are identified by use of forward-looking words such as "anticipates", "believes", "plans", "estimates", "expects", and "intends" or words or phrases of similar expression. These forward-looking statements are subject to management decisions and various assumptions, risks and uncertainties, including, but not limited to: changes in political and economic conditions; changes in demand for the Company's products; acceptance of new products; changes in conditions in the various geographic markets where the Company does business; technology developments affecting the Company's products; changes in laws and regulations; and those matters discussed in the Company's filings with the SEC. Accordingly, actual circumstances and results could differ materially from those contemplated by the forward-looking statements.

Critical Accounting Policies

The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which require, in some cases, that certain estimates and assumptions be made that affect the amounts and disclosures reported in those financial statements and the related accompanying notes. Estimates are based on currently known facts and circumstances, prior experience and other assumptions believed to be reasonable. Management uses its best judgment in valuing these estimates and may, as warranted, solicit external advice. Actual results could differ from these estimates, assumptions and judgments, and these differences could be material. The following critical accounting policies, some of which are impacted significantly by estimates, assumptions and judgments, affect the Company's consolidated financial statements.

Inventories – Inventories (finished goods, work in process and raw materials) are stated at the lower of cost, determined on a first-in, first-out basis, or market. Cost is determined based solely on those charges incurred in the acquisition and production of the related inventory (i.e. material, labor and manufacturing overhead costs). The Company estimates an inventory reserve for excess quantities and obsolete items based on specific identification and historical write-offs, taking into account future demand and market conditions. If actual demand or market conditions in the future are less favorable than those estimated, additional inventory write-downs may be required.

Revenue Recognition – Revenue is recognized when all of the following have occurred: persuasive evidence of a sales arrangement exists (e.g. a wholesale purchase order or retail sales invoice); the sales arrangement specifies a fixed or determinable sales price; product is shipped or services are provided to the customer; and collectibility is reasonably assured. This occurs upon the shipment of goods to independent retailers or, in the case of Ethan Allen-owned retail stores, upon delivery to the customer. Recorded sales provide for estimated returns and allowances. The Company permits retail customers to return defective products and incorrect shipments, and terms offered by the Company are standard for the industry.

Allowance for Doubtful Accounts – The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowance for doubtful accounts is based on a review of specifically identified accounts in addition to an overall aging analysis. Judgments are made with respect to the collectibility of accounts receivable based on historical experience and current economic trends. Actual losses could differ from those estimates.

Retail Store Acquisitions — The Company accounts for the acquisition of retail stores and related assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations*, which requires application of the purchase method for all business combinations initiated after June 30, 2001. Accounting for these transactions as purchase business combinations requires the allocation of purchase price paid to the assets acquired and liabilities assumed based on their fair values as of the date of the acquisition. The amount paid in excess of the fair value of net assets acquired is accounted for as goodwill.

Impairment of Long-Lived Assets and Goodwill — The Company periodically evaluates whether events or circumstances have occurred that indicate that long-lived assets may not be recoverable or that the remaining useful life may warrant revision. When such events or circumstances are present, the Company assesses the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected undiscounted future cash flows resulting from the use of the asset. In the event the sum of the expected undiscounted future cash flows is less than the carrying value of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. The long-term nature of these assets requires the estimation of its cash inflows and outflows several years into the future and only takes into consideration technological advances known at the time of the impairment test.

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill and other intangible assets are to be evaluated for impairment on an annual basis and between annual tests whenever events or circumstances indicate that the carrying value of the goodwill or other intangible asset may exceed its fair value. The Company conducts its required annual impairment test during the fourth quarter of each fiscal year and uses a discounted cash flow model to estimate fair value. This model requires the use of long-term planning forecasts and assumptions regarding industry-specific economic conditions that are outside the control of the Company.

Business Insurance Reserves – The Company has insurance programs in place to cover workers' compensation and property/casualty claims. The insurance programs, which are funded through self-insured retention, are subject to various stop-loss limitations. The Company accrues estimated losses using actuarial models and assumptions based on historical loss experience. Although management believes that the insurance reserves are adequate, the reserve estimates are based on historical experience, which may not be indicative of current and future losses. In addition, the actuarial calculations used to estimate insurance reserves are based on numerous assumptions, some of which are subjective. The Company adjusts insurance reserves, as needed, in the event that future loss experience differs from historical loss patterns.

Other Loss Reserves – The Company has a number of other potential loss exposures incurred in the ordinary course of business such as environmental claims, product liability, litigation, tax liabilities, restructuring charges, and the recoverability of deferred income tax benefits. Establishing loss reserves for these matters requires management's estimate and judgment with regard to maximum risk exposure and ultimate liability or realization. As a result, these estimates are often developed with the Company's counsel, or other appropriate advisors, and are based on management's current understanding of the underlying facts and circumstances. Because of uncertainties related to the ultimate outcome of these issues or the possibilities of changes in the underlying facts and circumstances, additional charges related to these issues could be required in the future.

Basis of Presentation

As of June 30, 2005, Ethan Allen Interiors Inc. has no material assets other than its ownership of the capital stock of Ethan Allen Inc. and conducts all significant transactions through Ethan Allen Inc.; therefore, substantially all of the financial information presented herein is that of Ethan Allen Inc.

Results of Operations

Ethan Allen's revenues are comprised of (i) wholesale sales to independently-owned and Company-owned retail stores and (ii) retail sales of Company-owned stores. See Note 16 to the Company's Consolidated Financial Statements for the year ended June 30, 2005 included under Item 8 of this Annual Report.

The components of consolidated revenues and operating income are as follows (in millions):

	Fiscal Year Ended June 30,		
	2005	**2004**	**2003**
Revenue:			
Wholesale segment	$ 663.2	$ 673.8	$ 661.0
Retail segment	586.2	576.2	526.4
Elimination of inter-segment sales	(300.4)	(294.9)	(280.1)
Consolidated Revenue	$ 949.0	$ 955.1	$ 907.3
Operating Income:			
Wholesale segment (1)	$ 115.9	$ 108.0	$ 109.3
Retail segment	12.8	11.7	13.4
Adjustment for inter-company profit (2)	0.3	6.7	(3.2)
Consolidated Operating Income	$ 129.0	$ 126.4	$ 119.5

(1) Operating income for the wholesale segment includes pre-tax restructuring and impairment charges, net of $12.5 million and $13.1 million recorded in fiscal years 2004 and 2003, respectively.
(2) Represents the change in the inventory profit elimination entry necessary to adjust for the embedded wholesale profit contained in Ethan Allen-owned store inventory existing at the end of the period.

Fiscal 2005 Compared to Fiscal 2004

Consolidated revenue for fiscal 2005 totaled $949.0 million, representing a decrease of $6.1 million, or 0.6%, from fiscal 2004 consolidated revenue of $955.1 million. Net sales for the period reflect the delivery of product associated with a slight decline in total booked orders, and the resultant lower level of backlog noted throughout most of the year. The modest decrease in net sales for the current year was due, primarily, to (i) inconsistent consumer spending habits noted throughout much of the last twelve months likely attributable to ongoing economic uncertainty caused by the threat of further interest rate increases, rising fuel prices and a decline in the stock markets, and (ii) the Company's current year transition to everyday pricing from periodic sale events conducted in the prior year. These factors were partially offset by the continued re-positioning of the Company's retail stores to larger and more prominent locations and the impact of recent product introductions. Overall, sales volume for the period was impacted by increased industry competition and the continued use of highly-promotional pricing strategies by the Company's competitors.

Total wholesale revenue for fiscal 2005 decreased $10.6 million, or 1.6%, to $663.2 million from $673.8 million in the prior year. The year-over-year decrease was attributable to a decline in the incoming order rate noted during the period, particularly within the Company's case goods operations, partially offset by increased throughput within the Company's upholstery operations, and improved service position, resulting in shorter delivery cycle times, within certain imported product lines.

Total retail revenue from Ethan Allen-owned stores for fiscal 2005 increased $10.0 million, or 1.7%, to $586.2 million from $576.2 million in the prior year. This increase in retail delivered sales by Ethan Allen-owned stores was attributable to an increase in sales generated by newly-opened (including relocations) or acquired stores of $25.7 million, partially offset by decreases in comparable store delivered sales of $1.2 million, or 0.2%, and closed stores, which generated $14.5 million fewer sales in fiscal 2005 as compared to fiscal 2004. The number of Ethan Allen-owned stores decreased to 126 as of June 30, 2005 as compared to 127 as of June 30, 2004. During that twelve month period, the Company acquired 6 stores from,

and sold 4 stores to, independent retailers, closed 5 stores and opened 7 stores (5 of which were relocations).

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

Total booked orders, which include wholesale orders and written business of Ethan Allen-owned retail stores, decreased 1.4% from the prior year. Year-over-year, wholesale orders decreased 3.0% while Ethan Allen-owned store orders increased 2.9% and comparable store written business increased 1.0%. The modest increase in retail written sales was likely attributable to the continued re-positioning of the Company's retail stores to larger and more prominent locations. During the year, the Company increased distribution of the "Furnishing Solutions by Ethan Allen" direct mail magazine, distributing approximately 57 million copies which represents a 45% increase over historical annual levels. These positive factors were likely offset, to some degree, by the current year transition to everyday pricing from periodic sale events conducted in the prior year.

Gross profit for fiscal 2005 totaled $461.0 million and was effectively unchanged from prior year. Consolidated gross profit was favorably impacted by a higher proportionate share of retail sales to total sales (62% in fiscal 2005 compared to 60% in fiscal 2004), an overall increase in retail sales volume as a result of the Company's continued re-positioning of its store network, and a reduction in costs associated with excess capacity at the Company's manufacturing facilities. These favorable variances were offset by gross profit declines resulting, primarily, from (i) an overall decrease in wholesale shipments, (ii) ordinary inefficiencies within the Company's case goods operations associated with the production of first cuts for new collections, and (iii) price increases within selected raw material categories, namely lumber, foam, plywood and steel. Consolidated gross margin increased to 48.6% for the year ended June 30, 2005 from 48.3% in the prior year as a result, primarily, of the factors identified previously.

Operating expenses decreased $2.5 million, or 0.7%, to $332.1 million, or 35.0% of net sales, in the current year from $334.6 million, or 35.0% of net sales, in the prior year, which included restructuring and impairment charges, net of $12.5 million. This decrease is primarily attributable to (i) the aforementioned restructuring and impairment charge recorded in the fourth quarter of the prior year, (ii) cost savings attributable to the closure of selected plant locations in recent periods, and (iii) a decrease in advertising costs within the wholesale segment stemming from the Company's decision to increase distribution of the Company's direct mail magazine in lieu of more costly national television advertising. These favorable variances were partially offset by costs associated with the continued re-positioning of the Company's retail stores to larger and more prominent locations, and increased distribution expenses attributable to higher fuel and freight charges. The Company's initiative to re-position its retail store network has resulted in higher costs associated with managerial salaries and benefits, occupancy, credit card fees, advertising, and delivery and warehousing.

Operating income was $129.0 million, or 13.6% of net sales, for the year ended June 30, 2005, as compared to $126.4 million, or 13.2% of net sales, for the year ended June 30, 2004, which included restructuring and impairment charges, net of $12.5 million. This represents an increase of $2.6 million, or 2.0%, which is primarily attributable to lower operating expenses as referred to previously.

Total wholesale operating income for the year ended June 30, 2005 was $115.9 million, or 17.5% of wholesale net sales, as compared to $108.0 million, or 16.0% of wholesale net sales, for the year ended June 30, 2004, which included restructuring and impairment charges, net of $12.5 million. The increase of $7.9 million, or 7.3%, is primarily attributable to (i) the aforementioned restructuring and impairment charge recorded in the fourth quarter of the prior year, (ii) a decrease in advertising costs, particularly as it relates to national television advertising,

(iii) a reduction in costs associated with excess capacity at the Company's manufacturing facilities, and (iv) cost savings attributable to the closure of selected plant locations in recent periods. These decreases were partially offset by (i) an overall decline in wholesale sales volume, (ii) price increases within selected raw material categories, (iii) an increase in selling expenses primarily related to the increased distribution of the Company's direct mail magazine, and (iv) an increase in distribution expenses attributable to higher fuel and freight charges.

Operating income for the retail segment increased $1.0 million, or 8.9%, to $12.7 million, or 2.2% of net retail sales, for fiscal 2005, as compared to $11.7 million, or 2.0% of net retail sales, in fiscal 2004. The increase in retail operating income generated by Ethan Allen-owned stores is primarily attributable to higher sales volume generated from newly-opened (including relocations) or acquired stores, and the gain recorded upon the sale of selected retail stores. These increases were partially offset by higher operating expenses related to the continued re-positioning of the Company's retail store network, and, to a lesser extent, the sell-off of floor inventory necessary to make room for new product introductions.

Interest and other miscellaneous income, net totaled $1.2 million in fiscal 2005 as compared to $3.3 million in fiscal 2004. The decrease was due, primarily, to a decrease in interest income associated with the lower cash balances maintained during the period, and the favorable settlement of an outstanding legal matter during the prior year period.

Income tax expense for the year ended June 30, 2005 totaled $50.1 million as compared to $49.6 million for the year ended June 30, 2004. The Company's effective tax rate was 38.7% in fiscal 2005, up from 38.4% in fiscal 2004. The higher effective tax rate is a result of recently-enacted changes within certain state tax legislation, and increased state income tax liability arising in connection with the operation of a greater number of Company-owned stores, some of which are located in new jurisdictions.

For fiscal 2005, the Company recorded net income of $79.3 million as compared to $79.5 million in fiscal 2004. Net income per diluted share totaled $2.19 in the current year and $2.08 per diluted share in the prior year.

Fiscal 2004 Compared to Fiscal 2003

Consolidated revenue for fiscal 2004 was $955.1 million, an increase of $47.8 million, or 5.3%, from fiscal 2003 consolidated revenue of $907.3 million. Net sales for the period reflect the delivery of product associated with an increased level of booked orders and related backlog noted throughout most of the year. Such order levels are reflective of (i) the continued expansion and strategic re-positioning of the Company's retail segment, and (ii) an increase in the incoming order rate resulting, primarily, from an increased level of consumer confidence and an improved U.S. economy, both of which were sustained for much of the last twelve months, and from the success of recent product introductions, some of which have been introduced in accordance with the Company's "everyday value" pricing strategy. These positive factors were partially offset, to some degree, by softer business conditions during the last three months of the fiscal year likely attributable to consumer concerns with respect to rising fuel prices, the threat of increasing interest rates, and the continued unsettled geo-political environment.

Total wholesale revenue for fiscal 2004 was $673.8 million as compared to $661.0 million in fiscal 2003, representing a $12.8 million increase. As stated previously, the Company experienced an increase in the incoming order rate as a result, primarily, of improved consumer spending habits and a sustained strengthening of the U.S. economy throughout most of the fiscal year. To a lesser extent, wholesale sales volume was also positively impacted by two additional shipping days in the current year as compared to the prior year. Partially offsetting these increases were lower than anticipated shipments stemming from (i) longer lead times on selected case good items as a result of the re-allocation of production associated with the closure of two plants announced in April 2004, and

(ii) modest delays in receiving certain upholstery-related import shipments (both finished goods and raw materials).

Total retail revenue from Ethan Allen-owned stores for fiscal 2004 increased $49.8 million, or 9.5%, to $576.2 million from $526.4 million in the prior year. This increase

in retail delivered sales by Ethan Allen-owned stores was attributable to an increase in sales generated by newly-opened (including relocations) or acquired stores of $46.8 million, and an increase in comparable store delivered sales of $22.7 million, or 4.6%, partially offset by a decrease resulting from closed stores, which generated $19.7 million fewer sales in fiscal 2004 as compared to fiscal 2003. The number of Ethan Allen-owned stores increased to 127 as of June 30, 2004 as compared to 119 as of June 30, 2003. During that twelve month period, the Company acquired 4 stores from an independent retailer, closed 1 store and opened 6 stores, 4 of which were relocations. The Company-owned store count at June 30, 2004 also reflects the net addition of 3 stores stemming from Ethan Allen's acquisition of the 25% minority interest in a joint venture previously established in 1998 between the Company and an independent retailer, the purpose of which was to own and operate 4 stores in the Dallas market. Subsequent to the Company's acquisition of the minority interest, the assets of 1 store were sold to the joint venture partner. While the operations of these stores have been reflected in the Company's consolidated financial statements since inception of the joint venture as a result of the Company's 75% majority ownership, the stores have not been previously included in the Company's store count due to the fact that the stores were independently managed.

Total booked orders, which include wholesale orders and written business of Ethan Allen-owned retail stores, increased 4.4% from the prior year. Year-over-year, wholesale orders increased 3.2% while Ethan Allen-owned store orders increased 7.7% and comparable store written business increased 2.6%. These increases are indicative of the continued expansion and strategic re-positioning of the Company's retail segment, an increase in consumer confidence and a period of sustained economic improvement for most of the last twelve months.

Gross profit for fiscal 2004 increased $11.7 million, or 2.6%, to $461.0 million from $449.3 million in fiscal 2003. The increase in gross profit was primarily attributable to a higher proportionate share of retail sales to total sales (61% in fiscal 2004 compared to 59% in fiscal 2003), and an overall increase in sales volume as a result of the Company servicing the increased level of backlog noted throughout much of the past year. These favorable variances were partially offset by increased costs associated with unabsorbed overhead at the Company's manufacturing facilities resulting, primarily, from excess capacity, particularly during the third and fourth quarters of fiscal 2003, and, to a lesser extent, a modest decline in retail gross profit as a result of the sell-off of floor inventory necessary to make room for new product introductions. Consolidated gross margin decreased to 48.3% for the year ended June 30, 2004 from 49.5% in the prior year as a result, primarily, of the factors identified previously.

The Company recorded pre-tax restructuring and impairment charges of $12.8 million and $13.4 million in the fourth quarter of fiscal 2004 and the third quarter of fiscal 2003, respectively, relating to the consolidation of certain manufacturing facilities. The fiscal 2004 consolidation involved the closure of two case good manufacturing facilities, which resulted in a headcount reduction totaling approximately 460 employees; 270 employees effective June 25, 2004, and 190 employees throughout the first quarter of fiscal 2005. The fiscal 2003 consolidation involved the closure of three smaller manufacturing facilities, two of which were case good plants. Closure of these facilities resulted in a headcount reduction totaling approximately 580 employees; 340 employees effective April 21, 2003, and 240 employees throughout the last quarter of fiscal 2003 and the first quarter of fiscal 2004. The costs incurred in closing these facilities consisted, primarily, of employee severance and benefits and other plant exit costs, as well as fixed asset impairment charges, primarily for real property and machinery and equipment associated with the closed facilities. Adjustments totaling $0.2 million were recorded during fiscal 2004 to reverse certain accruals previously established in connection with the fiscal 2003 consolidation plan which were no longer required.

Including restructuring and impairment charges of $12.5 million and $13.1 million in fiscal 2004 and 2003, respectively, operating expenses increased to $334.6 million, or 35.0% of net sales, for the year ended June 30, 2004 from $329.9 million, or 36.4% of net sales, for the year ended June 30, 2003. This increase is primarily attributable to the continued growth of the retail segment and the higher proportionate share of retail sales to total sales in fiscal 2004. Such expansion has resulted in higher costs associated with occupancy, designer salaries and commissions, and delivery and warehousing. These increases were partially offset by a decline in selling expenses within the wholesale division as a result of a continued Company-wide focus on cost containment, particularly within national television advertising, as well as initiatives undertaken in recent periods to streamline the Company's U.S. manufacturing operations and increase production efficiencies.

Including restructuring and impairment charges of $12.5 million and $13.1 million in fiscal 2004 and 2003, respectively, operating income was $126.4 million, or 13.2% of net sales, for the year ended June 30, 2004 compared to $119.5 million, or 13.2% of net sales, for the year ended June 30, 2003. This represents an increase of $6.9 million, or 5.8%, which is primarily attributable to an increase in gross profit during the period, and lower operating expenses within the wholesale division, partially offset by increased costs related to continued expansion of the retail division.

Including restructuring and impairment charges of $12.5 million and $13.1 million in fiscal 2004 and 2003, respectively, total wholesale operating income was $108.0 million, or 16.0% of wholesale net sales, for the year ended June 30, 2004 compared to $109.3 million, or 16.5% of wholesale net sales, for the year ended June 30, 2003. The decrease of $1.3 million, or 1.2%, is primarily attributable to increased costs associated with unabsorbed overhead at the Company's manufacturing facilities resulting, primarily, from excess capacity, particularly during the third and fourth quarters of fiscal 2003, partially offset by decreased operating expenses within the division and increased wholesale sales volume.

Operating income for the retail segment decreased $1.7 million, or 12.7%, to $11.7 million, or 2.0% of net retail sales, for fiscal 2004, as compared to $13.4 million, or 2.5% of net retail sales, in the prior fiscal year. The decrease in retail operating income generated by Ethan Allen-owned stores is primarily attributable to higher operating expenses related to the continued expansion of the Company's retail store network, reduced sales volume resulting from closed stores, and a modest decline in gross margin resulting from the sell-off of floor inventory necessary to make room for new product introductions, partially offset by increased sales volume associated with newly-opened (including relocations) or acquired stores and in increase in comparable store sales.

Interest and other miscellaneous income increased $2.1 million to $3.3 million in fiscal 2004 from $1.2 million in fiscal 2003. The increase is due, primarily, to (i) higher gains recorded in the current year in connection with the sale of real estate, (ii) a favorable judgment in the case of an outstanding legal matter, and (iii) increased interest income associated with higher cash balances during the period.

Income tax expense totaled $49.6 million for the year ended June 30, 2004 as compared to $45.4 million for the year ended June 30, 2003. The Company's effective tax rate was 38.5% for June 2004 as compared to 37.8% for June 2003. The higher effective tax rate is a result of recently-enacted changes within certain state tax legislation, and increased state income tax liability arising in connection with the operation of a greater number of Company-owned stores, some of which are located in new jurisdictions.

For fiscal 2004, the Company recorded net income of $79.5 million, an increase of 6.5%, as compared to $74.6 million in fiscal 2003. Earnings per diluted share for fiscal year 2004 amounted to $2.08, an increase of $0.15 per diluted share, or 7.8%, from $1.93 per diluted share in the prior year.

Financial Condition and Liquidity

The Company's principal sources of liquidity include cash and cash equivalents, cash flow from operations and borrowing capacity under a revolving credit facility. Throughout fiscal 2005, the Company had in place a $100.0 million facility, effective June 2004 (the "Credit Agreement"), which modified and renewed a five-year facility previously entered into in August 1999. On July 21, 2005, the Credit Agreement was replaced with a new five-year, $200.0 million revolving credit facility (the "New Credit Agreement"). In addition to the $200.0 million revolving credit component, the New Credit Agreement includes an accordion feature which provides for an additional $100.0 million of liquidity if needed, as well as sub-facilities for trade and standby letters of credit of $100.0 million and swingline loans of $5.0 million.

On July 26, 2005, the Board of Directors of the Company authorized the issuance of up to $200.0 million in senior unsecured notes. The specific terms of the proposed notes, including the maturity and covenants of the notes and the related pricing, have not yet been determined, and closing of the issuance is subject to satisfactory determination thereof, changes in capital market conditions, material changes affecting the Company or its business or industry and other factors. If completed as authorized, the Company intends to utilize the net proceeds from the issuance for general corporate purposes including, but not limited to, (i) retail store expansion, (ii) investment in manufacturing operations, (iii) acquisitions, (iv) the payment of dividends, and (v) the repurchase of shares of the Company's common stock in the open market. The Company has no present

commitments or understandings as to any material acquisition.

In connection with the forecasted issuance of the proposed notes, the Company entered into 6 separate forward contracts to hedge the risk-free interest rate associated with $108.0 million of the related debt in order to minimize the negative impact of interest rate fluctuations on the Company's earnings, cash flows and equity. The forward contracts were entered into with a major banking institution thereby minimizing the risk of credit loss. These hedging transactions were executed during July and August 2005 and, as such, have not been reflected in the Company's financial position, results of operations or cash flows for the year ended June 30, 2005.

As of June 30, 2005, the Company had cash and cash equivalents totaling $3.4 million, and outstanding debt and capital lease obligations totaling $12.5 million. The current and long-term portions of the Company's outstanding debt and capital lease obligations totaled $0.2 million and $12.3 million, respectively, at that date. Also at June 30, 2005, the Company had revolving loans and trade and standby letters of credit outstanding under the Credit Agreement totaling $8.0 million and $15.6 million, respectively. Remaining available borrowing capacity under the Credit Agreement at that date was $76.4 million.

Net cash provided by operating activities totaled $103.3 million in fiscal 2005 as compared to $126.0 million in fiscal 2004 and $101.4 million in fiscal 2003. The current year-over-year decrease of $22.7 million was principally the result of (i) the change in inventories ($12.4 million effect) which declined at a slower rate in fiscal 2005 as compared to fiscal 2004, (ii) changes in prepaid expenses and other current assets ($10.2 million effect) due, primarily, to an increase in the Company's income tax receivable balance, (iii) the change in net restructuring and impairment charges ($8.2 million effect), (iv) changes in other assets ($4.6 million effect), and (v) changes in customer deposits ($2.6 million effect) reflecting the period-to-period change in the level of written and delivered sales. These unfavorable variances were partially offset by changes in income taxes and accounts payable ($5.0 million effect), deferred income taxes ($3.8 million effect), accrued expenses ($4.7 million effect), and other liabilities ($2.9 million effect), all as a result of normal business activity.

The decrease in inventory levels since June 2004 was the result, primarily, of a decline in work-in-process inventories attributable to the consolidation of two manufacturing facilities, announced in April 2004, and the related phase-out of those plants' production during the current period, as well as better Company-wide management of inventories. These decreases were partially offset by an increase in

(i) finished goods inventories, attributable to recent increases in the wholesale incoming order rate and an increase in retail sales volume, and (ii) raw material inventories, resulting from the purchase of lumber, fabric, and purchased frames in anticipation of future production needs.

Net cash used in investing activities totaled $22.5 million in fiscal 2005 as compared to cash provided of $8.1 million in fiscal 2004 and cash utilized of $41.0 million in fiscal 2003. The current year-over-year decrease in cash of $30.6 million was due, primarily, to (i) a $27.5 million decrease in net cash proceeds from the sale of short-term investments, (ii) a $6.8 million increase in other capital spending, exclusive of acquisitions, to $30.3 million from $23.5 million in the prior year, and (iii) a $2.6 million increase in cash utilized to fund acquisition activity (6 retail stores were acquired in the current year as compared to 4 retail stores acquired in the prior year). These cash decreases were partially offset by increases in (i) proceeds from the sale of retail stores ($3.5 million) and (ii) proceeds from the disposal of property, plant and equipment ($1.8 million). The current level of capital spending is principally attributable to (i) new store development and renovation, (ii) Company-wide technology initiatives, and (iii) improvements within the Company's remaining manufacturing facilities. The Company anticipates that cash from operations will be sufficient to fund future capital expenditures.

Net cash used in financing activities totaled $105.1 million in fiscal 2005 as compared to $161.0 million in fiscal 2004 and $61.1 million in fiscal 2003. The current year-over-year decrease of $55.9 million was the result of (i) a decrease of $106.2 million in dividends paid due, primarily, to a special, one-time cash dividend of $3.00 per common share paid in the prior year period, (ii) net borrowing activity under the Company's revolving credit facility ($8.0 million), and (iii) an increase in net proceeds from the issuance of common stock ($1.1 million). These cash increases were partially offset by an increase in payments related to the acquisition of treasury stock ($56.0 million) and an increase in cash utilized in the repayment of outstanding debt ($3.7 million).

On July 26, 2005, the Company declared a dividend of $0.18 per common share, payable on October 25, 2005 to shareholders of record as of October 11, 2005. The Company expects to continue to declare quarterly dividends for the foreseeable future.

In addition to using available cash to fund changes in working capital, necessary capital expenditures, acquisition activity, the repayment of debt, and the payment of dividends, the Company has been authorized by its Board of Directors to repurchase its common stock, from time to time, either directly or through agents, in the open market at prices and on terms satisfactory to the Company. The Company also retires shares of unvested restricted stock and, prior to June 30, 2002, repurchased shares of common stock from terminated or retiring employee's accounts in the Ethan Allen Retirement Savings Plan. All of the Company's common stock repurchases and retirements are recorded as treasury stock and result in a reduction of shareholders' equity.

During fiscal years 2005, 2004 and 2003, the Company repurchased and/or retired the following shares of its common stock:

	2005(1)(3)	2004(1)	2003(2)
Common shares repurchased	2,410,400	1,004,445	1,457,000
Cost to repurchase common shares	$81,435,589	$39,094,203	$43,503,500
Average price per share	$33.79	$38.92	$29.86

(1) The cost to repurchase shares in fiscal years 2005 and 2004 reflects $745,735 in common stock repurchases with a June 2004 trade date and a July 2004 settlement date.
(2) The cost to repurchase shares in fiscal year 2003 excludes $7,197,165 in common stock repurchases with a June 2002 trade date and a July 2002 settlement date.
(3) During fiscal 2005, the Company also retired 405,511 shares of common stock tendered upon the exercise of outstanding employee stock options. The value of such shares on the date redeemed was $12,173,440, representing an average price per share of $30.02.

For each of the fiscal years presented above, the Company funded its purchases of treasury stock with existing cash on hand and cash generated through current period operations. The Board of Directors increased the then remaining share repurchase authorization to 2.5 million shares on April 27, 2004, and again to 2.0 million shares on November 16, 2004 and April 26, 2005. As of June 30, 2005, the Company had a remaining Board authorization to repurchase 2.0 million shares.

Subsequent to June 30, 2005 and through September 9, 2005, the Company repurchased, in 17 separate open market transactions, an additional 1,140,000 million shares of its common stock at a total cost of $36.8 million, representing an average price per share of $32.28. As of September 9, 2005, the Company had a remaining Board authorization to repurchase 860,000 shares.

As of June 30, 2005, aggregate scheduled maturities of long-term debt, including capital lease obligations, for each of the next five fiscal years are $0.2 million in fiscal 2006, $0.1 million in fiscal 2007, $0.1 million in fiscal 2008, $8.0 million in fiscal 2009, and $0.1 million in fiscal 2010. The balance of the Company's long-term debt ($3.8 million) matures in fiscal years 2011 and thereafter. The Company 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. As of June 30, 2005, the Company had working capital of $130.4 million and a current ratio of 1.97 to 1.

The following table summarizes, as of June 30, 2005, the timing of cash payments related to the Company's outstanding contractual obligations (in thousands):

	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Long-term debt obligations	$ 12,492	$ 222	$ 78	$ 8,083	$ 4,109
Capital lease obligations	18	18	--	--	--
Operating lease obligations	173,897	30,317	50,059	35,349	58,172
Letters of credit	15,634	15,634	--	--	--
Purchase obligations (1)	--	--	--	--	--
Other long-term liabilities	417	42	92	66	217
Total contractual obligations	$202,458	$ 46,233	$ 50,229	$ 43,498	$ 62,498

(1) For purposes of this table, purchase obligations are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. While the Company is not a party to any significant long-term supply contracts or purchase commitments, the Company does, in the normal course of business, regularly initiate purchase orders for the procurement of (i) selected finished goods sourced from third-party vendors, (ii) lumber, fabric, leather and other raw materials used in production, and (iii) certain outsourced services. All purchase orders are based on current needs and are fulfilled by suppliers within short time periods. At any point in time, the Company's open purchase orders with respect to such goods and services totals approximately $55.0 to $65.0 million.

Further discussion of the Company's contractual obligations associated with outstanding debt and lease arrangements can be found in Notes 7 and 8, respectively, to the Consolidated Financial Statements included under Item 8 of this Annual Report.

Off-Balance Sheet Arrangements and Other Commitments, Contingencies and Contractual Obligations

Except as indicated below, the Company does not utilize or employ any off-balance sheet arrangements, including special-purpose entities, in operating its business. As such, the Company does not maintain any (i) retained or contingent interests, (ii) derivative instruments (other than as specified below), or (iii) variable interests which could serve as a source of potential risk to its future liquidity, capital resources and results of operations.

On July 26, 2005, the Board of Directors of the Company authorized the issuance of up to $200.0 million in senior unsecured notes. The specific terms of the proposed notes, including the maturity and covenants of the notes and the related pricing, have not yet been determined, and closing of the issuance is subject to satisfactory determination thereof, changes in capital market conditions, material changes affecting the Company or its business or industry and other factors. In connection with the forecasted issuance of the proposed notes, the Company entered into 6 separate forward contracts to hedge the risk-free interest rate associated with $108.0 million of the related debt in order to minimize the negative impact of interest rate fluctuations on the Company's earnings, cash flows and equity. The forward contracts were entered into with a major banking institution thereby minimizing the risk of credit loss. These hedging transactions were executed during July and August 2005 and, as such, have not been reflected in the Company's financial position, results of operations or cash flows for the year ended June 30, 2005.

The Company, or its consolidated subsidiaries, may, from time to time in the ordinary course of business, provide guarantees on behalf of selected affiliated entities or become contractually obligated to perform in accordance with the terms and conditions of certain business agreements. The nature and extent of these guarantees and obligations may vary based on the underlying relationship of the benefiting party to the Company and the business purpose for which the guarantee or obligation is being provided. Details of those arrangements for which the Company, or any of its consolidated subsidiaries, act as guarantor or obligor are provided below.

Retailer-Related Guarantees

Ethan Allen Inc. has obligated itself, on behalf of one of its independent retailers, with respect to a $1.5 million credit facility (the "Retailer Credit Facility") comprised of a $1.1 million revolving line of credit and a $0.4 million term loan. This obligation requires the Company, in the event of the retailer's default under the Retailer Credit Facility, to repurchase the retailer's inventory, applying such purchase price to the retailer's outstanding indebtedness under the Retailer Credit Facility. The Company's obligation remains in effect for the life of the term loan which expires in April 2008. The maximum potential amount of future payments (undiscounted) that the Company could be required to make under this obligation is limited to the amount outstanding under the Retailer Credit Facility at the time of default (subject to pre-determined lending limits based on the value of the underlying inventory) and, as such, is not an estimate of future cash flows. No specific recourse or collateral provisions exist that would enable recovery of any portion of amounts paid under this obligation, except to the extent that the Company maintains the right to take title to the repurchased inventory. Management anticipates that the repurchased inventory could subsequently be sold through the Company's retail store network. As of June 30, 2005, the amount outstanding under the Retailer Credit Facility totaled approximately $1.0 million, of which $0.9 million was outstanding under the revolving credit line. Management expects that, based on the underlying creditworthiness of the respective retailer, this obligation will expire without requiring funding by the Company. However, in accordance with the provisions of FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, a liability has been established to reflect the Company's non-contingent obligation under this arrangement as a result of modifications made to the Retailer Credit Facility subsequent to January 1, 2003. As of June 30, 2005, the carrying amount of such liability is less than $50,000.

Indemnification Agreement

In connection with the Company's joint venture arrangement with United Kingdom-based MFI Furniture Group Plc, Ethan Allen Inc. has entered into a tax cross-indemnification agreement with the joint venture partner. The indemnification agreement stipulates that both parties agree to pay 50% of the amount of any tax liability arising as a result of (i) an adverse tax judgment or (ii) the imposition of additional taxes against either partner, and attributable to the operations

of the joint venture. The indemnification agreement is effective until such time that the joint venture is terminated. At the present time, management anticipates that the joint venture will continue to operate for the foreseeable future.

The maximum potential amount of future payments (undiscounted) that the Company could be required to make under this indemnification agreement is indeterminable as no such tax liability currently exists. Further, the nature, extent and magnitude of any such tax liability arising in the future as a result of an adverse tax judgment or change in applicable tax law cannot be estimated with any reasonable certainty. It should be further noted that no recourse or collateral provisions exist that would enable recovery of any portion of amounts paid under this indemnification agreement. Management expects, based on its current understanding of the applicable tax laws and the existing legal structure of the joint venture, subject to future changes in applicable laws and regulations, this cross-indemnity agreement will expire without requiring funding by the Company. Accordingly, as of June 30, 2005, the carrying amount of the liability related to this indemnification agreement is zero.

Product Warranties

The Company's products, including its case goods, upholstery and home accents, generally carry explicit product warranties that extend from three to five years and are provided based on terms that are generally accepted in the industry. All of the Company's independent retailers are required to enter into, and perform in accordance with the terms and conditions of, a warranty service agreement. The Company records provisions for estimated warranty and other related costs at time of sale based on historical

warranty loss experience and makes periodic adjustments to those provisions to reflect actual experience. On rare occasion, certain warranty and other related claims involve matters of dispute that ultimately are resolved by negotiation, arbitration or litigation. In certain cases, a material warranty issue may arise which is beyond the scope of the Company's historical experience. The Company provides for such warranty issues as they become known and estimable. It is reasonably possible that, from time to time, additional warranty and other related claims could arise from disputes or other matters beyond the scope of the Company's historical experience. As of June 30, 2005, the Company's recorded product warranty liability totaled $1.4 million.

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 or seek lower cost alternatives in order to offset increases in operating costs and effectively manage its working capital.

Income Taxes

At June 30, 2005, the Company has, for federal income tax purposes, approximately $1.9 million of net operating loss carryforwards ("NOLs"). The Company's utilization of these NOLs, which expire in 2022, is limited, pursuant to Section 381(c) of the Internal Revenue Code, based upon the separate earnings and/or eventual liquidation of the wholly-owned subsidiary to which the NOLs relate.

Business Outlook

The Company has experienced inconsistent business activity throughout much of the last twelve months. During that time, macro-economic factors such as the ongoing war in Iraq, rising fuel prices, the threat of further interest rate increases, and recent declines in the stock markets, appear to have contributed to lower levels of consumer confidence and discretionary spending, particularly for home furnishings. In addition, the Company's current year transition to everyday pricing in lieu of its historical periodic sale events, likely also had some effect on order trends as compared to prior periods. Despite these challenges, the Company believes it is well-positioned for the next phase of economic growth as a result of (i) its

established brand, (ii) its comprehensive complement of home decorating solutions, and (iii) its vertically-integrated business model.

Should the economy strengthen, however, it is also possible that costs associated with production (including raw materials and labor), distribution (including freight and fuel charges), and retail operations (including compensation, delivery and warehousing, occupancy and advertising expenses) may continue to increase. Similarly, continued increases in interest rates and crude oil prices could serve to further adversely impact the level of discretionary spending on the part of consumers. We cannot reasonably predict when, or to what extent, such events may occur or what effect, if any, such events may have on the Company's consolidated financial condition or results of operations.

The industry remains extremely competitive with domestic manufacturers facing increased pricing pressure as a result of the continued development of manufacturing capabilities in other countries, specifically within Asia. In response to these pressures, a large number of U.S. furniture manufacturers and retailers, including Ethan Allen, have increased their overseas sourcing activities in an attempt to maintain a competitive advantage and retain market share. At the present time, the Company manufactures and/or assembles approximately 65-70% of its products. Management of the Company continues to believe that a balanced approach to product sourcing, which includes the domestic manufacture of certain product offerings coupled with the import of other selected products, provides the greatest degree of flexibility and is the most effective approach to ensuring that acceptable levels of quality, service and value are attained.

Further discussion of the specific issues facing the home furnishings industry has been included under Item I of this Annual Report.

Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board ("FASB") issued SFAS No. 154, *Accounting Changes and Error Corrections – A Replacement of APB Opinion No. 20 and FASB Statement No. 3.* SFAS No. 154 requires the retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The Statement also requires that a change in depreciation, amortization, or depletion method for long-lived non-financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle. Statement 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Accordingly, the Company will adopt the provisions of SFAS No. 154, as applicable, on July 1, 2006.

In June 2005, the Emerging Issues Task Force ("EITF") of the FASB reached a consensus on EITF Issue No. 05-6, *Determining the Amortization Period for Leasehold Improvements* ("Issue 05-6"). The provisions of Issue 05-6 require that leasehold improvements acquired in a business combination or purchased subsequent to the inception of a lease be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date of the business combination or purchase. The consensus is to be applied prospectively to leasehold improvements acquired subsequent to June 29, 2005. The Company does not believe that the adoption of Issue 05-6 will have a material effect on its financial position, results of operations or cash flows.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

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

interest rates and the Company's future financing requirements. As of June 30, 2005, the Company had no debt instruments outstanding with variable interest rates.

The Company's exposure to foreign currency exchange risk is primarily limited to its operation of five Ethan Allen-owned retail stores located in Canada as substantially all purchases of imported parts and finished goods are denominated in United States dollars. As such, gains or losses resulting from market changes in the value of foreign currencies have not had, nor are they expected to have, a material effect on the Company's consolidated results of operations.

Historically, the Company has not entered into financial instrument, including derivative, transactions for trading or other speculative purposes or to manage interest rate or currency exposure. However, on July 26, 2005, the Board of Directors authorized the issuance of up to $200.0 million in senior unsecured notes. The specific terms of the proposed notes, including the maturity and covenants of the notes and the related pricing, have not yet been determined, and closing of the issuance is subject to satisfactory determination thereof, changes in capital market conditions, material changes affecting the Company or its business or industry and other factors.

In connection with the forecasted issuance of the proposed notes, the Company entered into 6 separate forward contracts to hedge the risk-free interest rate associated with $108.0 million of the related debt in order to minimize the negative impact of interest rate fluctuations on the Company's earnings, cash flows and equity. The forward contracts

were entered into with a major banking institution thereby minimizing the risk of credit loss. These hedging transactions were executed during July and August 2005 and, as such, have not been reflected in the Company's financial position, results of operations or cash flows for the year ended June 30, 2005.

Item 8. Financial Statements and Supplementary Data

The Company's Consolidated Financial Statements and Supplementary Data are listed under Item 15 of this Annual Report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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 (the "Company") as of June 30, 2005 and 2004, 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, 2005. We also have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Ethan Allen Interiors Inc. and Subsidiaries maintained effective internal control over financial reporting as of June 30, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on these consolidated financial statements, an opinion on management's assessment, and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, management's assessment that Ethan Allen Interiors Inc. and Subsidiaries maintained effective internal control over financial reporting as of June 30, 2005, is fairly stated, in all material respects, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Furthermore, in our opinion, Ethan Allen Interiors Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

Stamford, Connecticut
September 8, 2005

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Consolidated Balance Sheets
June 30, 2005 and 2004
(In thousands, except share data)

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,448	$ 27,528
Accounts receivable, less allowance for doubtful accounts of $2,102 at June 30, 2005 and $2,194 at June 30, 2004	28,019	26,967
Inventories (note 4)	186,479	186,895
Prepaid expenses and other current assets	37,084	28,166
Deferred income taxes (note 12)	9,359	28,905
Total current assets	264,389	298,461

Property, plant and equipment, net (note 5)	275,211	277,437
Goodwill and other intangible assets (notes 3 and 6)	82,897	80,038
Other assets	5,889	2,431
Total assets	$ 628,386	$ 658,367
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and capital lease obligations (notes 7 and 8)	$ 240	$ 4,712
Customer deposits	53,654	56,026
Accounts payable	19,352	22,222
Accrued compensation and benefits	29,916	27,950
Accrued expenses and other current liabilities	30,804	25,779
Total current liabilities	133,966	136,689
Long-term debt (note 7)	12,270	4,509
Other long-term liabilities	12,445	9,781
Deferred income taxes (note 12)	35,637	51,248
Total liabilities	194,318	202,227
Shareholders' equity (notes 9, 10, 11 and 15):		
Class A common stock, par value $.01, 150,000,000 shares authorized, 46,585,896 shares issued at June 30, 2005 and 45,812,032 shares issued at June 30, 2004	466	458
Class B common stock, par value $.01, 600,000 shares authorized; no shares issued and outstanding at June 30, 2005 and June 30, 2004	--	--
Preferred stock, par value $.01, 1,055,000 shares authorized, no shares issued and outstanding at June 30, 2005 and 2004	--	--
Additional paid-in capital	302,620	289,707
	303,086	290,165
Less: Treasury stock (at cost), 12,071,866 shares at June 30, 2005 and 9,255,955 shares at June 30, 2004	(337,635)	(244,026)
Retained earnings	467,566	409,401
Accumulated other comprehensive income	1,051	600
Total shareholders' equity	434,068	456,140
Total liabilities and shareholders' equity	$ 628,386	$ 658,367

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For the Years Ended June 30, 2005, 2004 and 2003
(In thousands, except per share data)

	2005	2004	2003
Net sales	$ 949,012	$ 955,107	$ 907,264
Cost of sales	487,958	494,072	457,924
Gross profit	461,054	461,035	449,340
Operating expenses:			
Selling	184,310	176,859	178,615
General and administrative	147,985	145,252	138,137
Restructuring and impairment charge, net (note 3)	(219)	12,520	13,131
Total operating expenses	332,076	334,631	329,883
Operating income	128,978	126,404	119,457
Interest and other miscellaneous income, net	1,203	3,332	1,162

Interest and other related financing costs	761	641	645
Income before income taxes	129,420	129,095	119,974
Income tax expense (note 12)	50,082	49,617	45,350
Net income	$ 79,338	$ 79,478	$ 74,624
Per share data (notes 10, 11 and 17):			
Net income per basic share	$ 2.24	$ 2.14	$ 1.98
Basic weighted average common shares	35,400	37,179	37,607
Net income per diluted share	$ 2.19	$ 2.08	$ 1.93
Diluted weighted average common shares	36,193	38,295	38,569
Dividends declared per common share	$ 0.60	$ 3.40	$ 0.25

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2005, 2004 and 2003
(In thousands)

	2005	2004	2003
Operating activities:			
Net income	$ 79,338	$ 79,478	$ 74,624
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	21,338	21,854	21,634
Restructuring and impairment charge, net	(219)	8,007	8,792
Compensation expense (benefit) related to restricted stock award	327	254	(335)
Provision for deferred income taxes	3,935	121	4,290
Gain on disposal of property, plant and equipment	(110)	(1,452)	(1)
Gain on sale of retail stores	(1,384)	--	--
Other	(19)	5	(58)
Change in operating assets and liabilities, net of the effects of acquired and divested businesses:			
Accounts receivable	(1,614)	(1,156)	5,891
Inventories	757	13,168	(13,970)
Prepaid and other current assets	(5,377)	4,782	(7,771)
Other assets	(3,155)	1,395	219
Customer deposits	(3,690)	(1,120)	8,066
Income taxes and accounts payable	4,829	(149)	(6,130)
Accrued expenses	5,637	963	3,874
Other liabilities	2,742	(118)	2,231
Net cash provided by operating activities	103,335	126,032	101,356
Investing activities:			
Purchases of short-term investments	(12,000)	(37,500)	(52,150)
Proceeds from sale of short-term investments	12,000	65,000	45,650
Proceeds from the disposal of property, plant and equipment	7,628	5,796	5,040
Proceeds from the sale of retail stores	3,529	--	--
Capital expenditures	(30,301)	(23,534)	(28,449)
Acquisitions	(4,080)	(1,442)	(11,332)
Other	711	(267)	262
Net cash provided by (used in) investing activities	(22,513)	8,053	(40,979)
Financing activities:			
Borrowings on revolving credit facility	15,500	--	--
Payments on revolving credit facility	(7,500)	--	--

Payments on long-term debt and capital leases	(4,716)	(1,027)	(3,528)
Purchases and other retirements of company stock	(94,355)	(38,348)	(50,700)
Net proceeds from issuance of common stock	5,641	4,547	2,219
Payment of deferred financing costs	--	(349)	--
Payment of cash dividends	(19,625)	(125,783)	(9,066)
Net cash used in financing activities	(105,055)	(160,960)	(61,075)
Effect of exchange rate changes on cash	153	47	366
Net decrease in cash and cash equivalents	(24,080)	(26,828)	(332)
Cash and cash equivalents - beginning of year	27,528	54,356	54,688
Cash and cash equivalents - end of year	$ 3,448	$ 27,528	$ 54,356
Supplemental cash flow information:			
Net income taxes (received) paid	$ 44,135	$ 41,193	$ 44,596
Interest paid	550	510	508

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
For the Years Ended June 30, 2005, 2004 and 2003
(In thousands, except share data)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at June 30, 2002	$ 453	$277,694	$ (161,428)	$ --	$ 391,450	$ 508,169
Issuance of 196,206 shares of common stock upon the exercise of stock options and restricted stock award compensation (notes 9 and 11)	1	1,883	--	--	--	1,884
Purchase/retirement of 1,457,000 shares of company stock (note 9)	--	--	(43,503)	--	--	(43,503)
Tax benefit associated with exercise of employee stock options	--	1,536	--	--	--	1,536
Dividends declared on common stock	--	--	--	--	(9,395)	(9,395)
Charge for early vesting of stock options	--	27	--	--	--	27
Other comprehensive income (note 15)	--	--	--	580	--	580
Net income	--	--	--	--	74,624	74,624
Total comprehensive income						75,204
Balance at June 30, 2003	454	281,140	(204,931)	580	456,679	533,922
Issuance of 362,946 shares of common stock upon the exercise of stock options and restricted stock award compensation (notes 9 and 11)	4	4,797	--	--	--	4,801
Purchase/retirement of 1,044,445 shares of company stock (note 9)	--	--	(39,095)	--	--	(39,095)
Tax benefit associated with exercise of employee stock options	--	3,750	--	--	--	3,750
Dividends declared on common stock	--	--	--	--	(126,756)	(126,756)
Charge for early vesting of stock options	--	20	--	--	--	20
Other comprehensive income (note 15)	--	--	--	20	--	20
Net income	--	--	--	--	79,478	79,478
Total comprehensive income						79,498
Balance at June 30, 2004	458	289,707	(244,026)	600	409,401	456,140
Issuance of 773,864 shares of common stock upon the exercise of stock options and restricted stock award compensation (notes 9 and 11)	8	5,960	--	--	--	5,968
Purchase/retirement of 2,815,911 shares of company stock (note 9)	--	--	(93,609)	--	--	(93,609)
Tax benefit associated with exercise of employee stock options	--	6,953	--	--	--	6,953
Dividends declared on common stock	--	--	--	--	(21,173)	(21,173)
Other comprehensive income (note 15)	--	--	--	451	--	451
Net income	--	--	--	--	79,338	79,338
Total comprehensive income						79,789

Balance at June 30, 2005	$ 466	$302,620	$ (337,635)	$ 1,051	$ 467,566	$ 434,068

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
June 30, 2005, 2004 and 2003
(In thousands, except share data)

(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, 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 assets or operating results other than those associated with its investment in Ethan Allen.

Nature of Operations

The Company, through its wholly-owned subsidiary, is a leading manufacturer and retailer of quality home furnishings and accessories, selling a full range of products through an exclusive network of 313 retail stores, of which 126 are Ethan Allen-owned and operated and 187 are independently-owned and operated. Nearly all of the Company's retail stores are located in the United States, with the remaining stores located in Canada. The majority of the independently-owned stores are also located in the United States, with the remaining stores located throughout Asia, the Middle East, Canada, Mexico, Europe, Africa and the West Indies. Ethan Allen has 12 manufacturing facilities, 2 of which include separate sawmill operations, located throughout the United States.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the amounts and disclosures reported in those financial statements and the related accompanying notes. Actual results could differ from those estimates.

Reclassifications

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

Cash Equivalents

Cash and short-term highly-liquid investments with original maturities of 3 months or less are considered cash and cash equivalents. The Company invests excess cash primarily in money market accounts and short-term commercial paper.

Short-Term Investments

The Company's short-term investments consist of auction rate securities which represent funds available for current operations. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, these short-term investments are classified as available-for-sale and are carried at cost, which approximates fair value. These securities have stated maturities beyond three months but are priced and traded as short-term instruments due to the liquidity provided through the interest rate reset mechanism of 28 or 35 days.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market. Cost is determined based solely on those charges incurred in the acquisition and production of the related inventory (i.e. material, labor and manufacturing overhead costs).

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and amortization. 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 typically range from twenty to forty years for buildings and improvements and from three to twenty years for machinery and equipment. Leasehold improvements are amortized based on the underlying lease term, or the asset's estimated useful life, whichever is shorter.

Operating Leases

The Company accounts for its operating leases in accordance with the provisions of SFAS No. 13, *Accounting for Leases*, which require minimum lease payments be recognized on a straight-line basis, beginning on the date that the lessee takes possession or control of the property. A number of the Company's operating lease agreements contain provisions for tenant improvement allowances, rent holidays, rent concessions, and/or rent escalations.

Incentive payments received from landlords are recorded as deferred lease incentives and are amortized over the underlying lease term on a straight-line basis as a reduction of rent expense. When the terms of an operating lease provide for periods of free rent, rent concessions, and/or rent escalations, the Company establishes a deferred rent liability for the difference between the scheduled rent payment and the straight-line rent expense recognized. This deferred rent liability is also amortized over the underlying lease term on a straight-line basis as a reduction of rent expense.

Retail Store Acquisitions

The Company accounts for the acquisition of retail stores and related assets in accordance with SFAS No. 141, *Business Combinations*, which requires application of the purchase method for all business combinations initiated after June 30, 2001. Accounting for these transactions as purchase business combinations requires the allocation of purchase price paid to the assets acquired and liabilities assumed based on their fair values as of the date of the acquisition. The amount paid in excess of the fair value of net assets acquired is accounted for as goodwill.

Goodwill and Other Intangible Assets

The Company's intangible assets are accounted for in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, and are comprised, primarily, of goodwill, which represents the excess of cost over the fair value of net assets acquired, product technology, and trademarks. In re-assessing the useful lives of its goodwill and other intangible assets upon adoption of the standard, the Company determined these assets to have indefinite useful lives. Accordingly, amortization of these assets ceased on that date. Prior to July 1, 2001, these assets were amortized on a straight-line basis over forty years.

Statement 142 requires that the Company annually perform an impairment analysis to assess the recoverability of the recorded balance of goodwill and other intangible assets. The Company conducts its required annual impairment test during the fourth quarter of each fiscal year. The provisions of the Statement indicate that the impairment test should be conducted more frequently if events occur or circumstances change that would more likely than not reduce the fair value of the goodwill or other intangible asset below its carrying value. In addition, the Company performed an initial impairment analysis upon adoption of the standard. No impairment losses have been recorded on the Company's goodwill or other intangible assets as a result of applying the provisions of Statement 142.

Financial Instruments

The carrying value of the Company's financial instruments approximates fair value.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Revenue Recognition

Revenue is recognized when all of the following have occurred: persuasive evidence of a sales arrangement exists (e.g. a wholesale purchase order or retail sales invoice); the sales arrangement specifies a fixed or determinable sales price; product is shipped or services are provided to the customer; and collectibility is reasonably assured. This occurs upon the shipment of goods to independent retailers or, in the case of Ethan Allen-owned retail stores, upon delivery to the customer.

Shipping and Handling Costs

Ethan Allen's policy is to sell its products at the same delivered cost to all retailers nationwide, regardless of shipping point. Costs incurred to deliver finished goods to the consumer are expensed and recorded in selling, general and administrative expenses. Shipping and handling costs amounted to $75.2 million, $71.6 million, and $67.6 million for fiscal years 2005, 2004, and 2003, respectively.

Advertising Costs

Advertising costs are expensed when first aired or distributed. Total advertising costs incurred by the Company in fiscal years 2005, 2004 and 2003, amounted to $30.5 million, $30.5 million, and $42.8 million, respectively. These amounts are presented net of income received by Ethan Allen under its agreement with the third-party financial institution responsible for administering its consumer finance programs. Prepaid advertising costs at June 30, 2005 and 2004 totaled $5.0 million and $7.2 million, respectively.

Earnings Per Share

The Company computes basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated similarly, except that the weighted average outstanding shares are adjusted to include the effects of converting all potentially dilutive stock options and awards issued under the Company's employee stock plans (see Note 10).

Stock Compensation

The Company's 1992 Stock Option Plan (the "Plan") is accounted for in accordance with the recognition and measurement provisions of Accounting Principles Board Opinion ("APB") No. 25, *Accounting for Stock Issued to Employees*, and related interpretations, which employs the intrinsic value method of measuring compensation cost. Accordingly, compensation expense is not recognized for fixed stock options if the exercise price of the option equals the fair value of the underlying stock at the grant date. For certain stock-based awards, where the exercise price is equal to zero, the fair value of the award, measured at the grant date, is amortized to compensation expense on a straight-line basis over the vesting period. In addition, other stock-based award programs provided for under the Plan may also result in the recognition of compensation expense (benefit) to the extent they are deemed to be variable (as that term is defined in APB No. 25) in nature.

SFAS No. 123, *Accounting for Stock-Based Compensation*, encourages recognition of the fair value of all stock-based awards on the date of grant as expense over the vesting period. However, as permitted by SFAS No. 123, the Company continues to apply the intrinsic value-based method of accounting prescribed by APB Opinion No. 25 and discloses certain pro-forma amounts as if the fair value approach of SFAS No. 123 had been applied.

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of SFAS No. 123*, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this standard amends the disclosure requirements of SFAS No. 123 by requiring more prominent pro-forma disclosures in both the annual and interim financial statements.

The following table, which addresses the disclosure requirements of SFAS No. 148, illustrates the effect on net income and earnings per share if the fair value recognition provisions of SFAS No. 123 had been applied to all outstanding and unvested awards in each period.

	Fiscal Year Ended June 30,		
	2005	**2004**	**2003**
Net income as reported	$ 79,338	$ 79,478	$ 74,624
Add: Stock-based employee compensation expense (benefit) included in reported net income, net of related tax effects	200	156	(208)
Deduct: Stock-based employee compensation expense determined under the fair-value based method for all awards granted since July 1, 1995, net of related tax effects	(6,891)	(5,077)	(2,768)
Pro forma net income	$ 72,647	$ 74,558	$ 71,648
Earnings per share:			
Basic - as reported	$ 2.24	$ 2.14	$ 1.98
Basic - pro forma	$ 2.05	$ 2.01	$ 1.91
Diluted - as reported	$ 2.19	$ 2.08	$ 1.93
Diluted - pro forma	$ 2.01	$ 1.96	$ 1.87

Note: The Company employs the Black-Scholes option-pricing model for purposes of estimating the fair value of stock options granted. See Note 11 for a further discussion of SFAS No. 123.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment*, which replaces SFAS No. 123 and supercedes APB No. 25, requiring compensation costs related to share-based payment transactions, including employee stock options, to be recognized in the financial statements. Statement 123(R) was effective for the Company as of July 1, 2005. In addition, in March 2005, the SEC issued Staff Accounting Bulletin ("SAB") 107, which was effective upon issuance and provides the Staff's views regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and provides interpretations of the valuation of share-based payments for public companies.

The Company continues to evaluate the provisions of Statement 123(R) and SAB 107 in order to determine, among other things, the fair value method to be used to measure compensation expense and the appropriate assumptions to include in the fair value model. Some of this information, however, such as the level of share-based payments to be granted in future years, is unknown at this time. Still, based on its initial review of this authoritative guidance, and considering the provisions of existing employment agreements and the recent historical levels of share-based payments granted to individuals other than Mr. Kathwari, the Company's President and Chief Executive Officer (whose outstanding unvested options vest on August 1, 2005 and are described further in Note 11), the Company

does not believe that the impact of adoption will have a material effect on its financial position, results of operations or cash flows.

Foreign Currency Translation

The functional currency of each Company-owned foreign retail location is the respective local currency. Assets and liabilities are translated into United States dollars using the current period-end exchange rate and income and expense amounts are translated using the average exchange rate for the period in which the transaction occurred. Resulting translation adjustments are reported as a component of accumulated other comprehensive income within shareholders' equity.

Derivative Instruments

The Company adopted SFAS No. 133, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, and SFAS No. 138, which later amended Statement 133, in fiscal 2001. Upon review of its contracts as of June 30, 2005, the Company has determined that it has no derivative instruments as defined under these standards.

New Accounting Standards

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections-A Replacement of APB Opinion No. 20 and FASB Statement No. 3.* SFAS No. 154 requires the retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The Statement also requires that a change in depreciation, amortization, or depletion method for long-lived non-financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle. Statement 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Accordingly, the Company will adopt the provisions of SFAS No. 154, as applicable, on July 1, 2006.

In June 2005, the Emerging Issues Task Force ("EITF") of the FASB reached a consensus on EITF Issue No. 05-6,*Determining the Amortization Period for Leasehold Improvements* ("Issue 05-6"). The provisions of Issue 05-6 require that leasehold improvements acquired in a business combination or purchased subsequent to the inception of a lease be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date of the business combination or purchase. The guidance is effective for periods beginning after June 29, 2005. The Company does not believe that the adoption of Issue 05-6 will have a material effect on its financial position, results of operations or cash flows.

(2) Restructuring and Impairment Charge

In recent years, the Company has developed, announced and executed plans to consolidate its manufacturing operations as part of an overall strategy to maximize production efficiencies and maintain its competitive advantage.

In the fourth quarter of fiscal 2004, the Company announced a plan to close and consolidate two of its manufacturing facilities. The plants, both involved in the production of wood case goods furniture, were located in Boonville, New York and Bridgewater, Virginia. The plant closures resulted in a headcount reduction totaling approximately 460 employees: 270 employees effective June 25, 2004, and 190 employees throughout the first quarter of fiscal 2005. A pre-tax restructuring and impairment charge of $12.8 million was recorded for costs associated with these plant closings, of which $4.5 million was related to employee severance and benefits and other plant exit costs, and $8.3 million was related to fixed asset impairment charges, primarily for real property and machinery and equipment associated with the closed facilities. During the first six months of fiscal 2005, the final cash payments related to these plant closings were made. In addition, adjustments totaling $0.2 million were recorded to reverse the remaining previously established accruals which were no longer deemed necessary.

In the third quarter of fiscal 2003, the Company announced a plan to close three of its smaller manufacturing facilities. Closure of these facilities resulted in a headcount reduction totaling approximately 580 employees: 340 employees effective April 21, 2003, and 240 employees throughout the last quarter of fiscal 2003 and the first quarter of fiscal 2004. A pre-tax restructuring and impairment charge of $13.4 million was recorded for costs associated with these plant closings, of which $4.5 million related to employee severance and benefits and other plant exit costs, and $8.9 million related to fixed asset impairment charges, primarily for real property and machinery and equipment associated with the closed facilities. During the first quarter of fiscal 2004, adjustments totaling $0.2 million were recorded to reverse certain of these previously established accruals which were no longer required.

As of June 30, 2005, all related accruals have been reduced to zero. In addition, total impairment charges of $17.2 million ($8.3 million and $8.9 million in 2004 and 2003, respectively) have been recorded to reduce certain property, plant and equipment to net realizable value.

(3) Business Acquisitions

During fiscal 2005, the Company acquired, in three separate transactions, six Ethan Allen retail stores from independent retailers for total consideration of approximately $4.6 million. As a result of these acquisitions, the Company (i) recorded additional inventory of $3.2 million and other assets of $0.6 million, and (ii) assumed customer deposits of $1.7 million and other liabilities of $0.1 million. Goodwill associated with these acquisitions totaled $2.6 million and represents the premium paid to the sellers related to the acquired businesses (i.e. market presence) and other fair value adjustments to the assets acquired and liabilities assumed.

Further discussion of the Company's intangible assets can be found in Note 6.

A summary of the Company's allocation of purchase price in each of the last three fiscal years is provided below (in thousands):

	Fiscal Year Ended June 30,		
	2005	**2004**	**2003**
Nature of acquisition	6 stores	4 stores	16 stores
Total consideration	$ 4,642	$ 2,070	$ 11,952
Assets acquired and liabilities assumed:			
Inventory	3,194	1,851	10,095
PP&E and other assets	614	530	5,109
Customer deposits	(1,735)	(1,207)	(4,907)
Third-party debt	--	--	(4,300)
A/P and other liabilities	(25)	(121)	(2,938)
Goodwill	$ 2,594	$ 1,017	$ 8,893

(4) Inventories

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

	2005	**2004**
Finished goods	$ 149,322	$ 148,240
Work in process	8,437	10,840
Raw materials	28,720	27,815

	$ 186,479	$ 186,895

Inventories are presented net of a related valuation allowance of $2.7 million and $3.2 million at June 30, 2005 and 2004, respectively.

(5) Property, Plant and Equipment

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

	2005	2004
Land and improvements	$ 57,972	$ 52,863
Buildings and improvements	232,453	237,586
Machinery and equipment	137,390	137,996
	427,815	428,445
Less: accumulated depreciation and amortization	(152,604)	(151,008)
	$ 275,211	$ 277,437

(6) Goodwill and Other Intangible Assets

As of June 30, 2005, the Company had goodwill, including product technology, of $63.2 million and other identifiable intangible assets of $19.7 million. Comparable balances as of June 30, 2004 were $60.3 million and $19.7 million, respectively.

Goodwill in the wholesale and retail segments was $27.5 million and $35.7 million, respectively, at June 30, 2005 and $27.5 million and $32.8 million, respectively, at June 30, 2004. The wholesale segment, at both dates, includes additional intangible assets of $19.7 million. These assets represent Ethan Allen trade names which are considered to have indefinite useful lives.

In accordance with SFAS No. 142, the Company does not amortize goodwill and other intangible assets but, rather, evaluates such assets for impairment on an annual basis and between annual tests whenever events or circumstances indicate that the carrying value of the goodwill or other intangible asset may exceed its fair value. The Company conducts its required annual impairment test during the fourth quarter of each fiscal year. No impairment losses have been recorded on the Company's goodwill or other intangible assets as a result of applying the provisions of Statement 142.

(7) Borrowings

Total debt obligations at June 30 consist of the following (in thousands):

	2005	2004
Industrial revenue bonds	$ 3,855	$ 8,455
Other debt and capital lease obligations	8,655	766
Total debt	12,510	9,221
Less: current maturities and short-term capital lease obligations	240	4,712
Long-term debt	$ 12,270	$ 4,509

In June 2004, the Company entered into a five-year, $100.0 million unsecured revolving credit facility, (the *"*Credit Agreement*"*) with J.P. Morgan Chase Bank, as administrative agent, Bank of America, N.A., as syndication agent, and SunTrust Bank and Wachovia Bank, N.A., as co-documentation agents. The Credit Agreement includes an accordion feature, providing an additional $50.0 million of liquidity if needed, as well as sub-facilities for trade and standby letters of credit of $50.0 million and swingline loans of $3.0 million. Interest is charged on revolving loans under the Agreement at J.P. Morgan Chase Bank's Alternate Base Rate (as defined), or adjusted LIBOR plus either (i) 0.50% (on a first-drawn basis for borrowings up to 50% of the facility), or (ii) 0.625% (on a fully-drawn basis for borrowings in excess of 50% of the facility), and is subject to adjustment arising from changes in the credit rating of Ethan Allen's senior unsecured debt. The Credit Agreement provides for the payment of a commitment fee equal to 0.125% per annum on the average daily, unused amount of the revolving credit commitment. The Company is also required to pay a fee equal to 0.625% per annum on the average daily letters of credit outstanding.

At June 30, 2005, the Company had $8.0 million in revolving loans and $15.6 million in trade and standby letters of credit outstanding under the Credit Agreement. Remaining available borrowing capacity under the Credit Agreement was $76.4 million at that date. For fiscal years ended June 30, 2005, 2004 and 2003, the weighted-average interest rates applicable under the Company's revolving credit facility were 5.95%, 4.19% and 4.49%, respectively.

The Credit Agreement also contains various covenants which limit the ability of the Company and its subsidiaries to: incur debt; engage in mergers and consolidations; make restricted payments; sell certain assets; make investments; and issue stock. The Company is also required to meet certain financial covenants including fixed charge coverage and leverage ratios. As of June 30, 2005, the Company had satisfactorily complied with all such covenants.

In July 2005, the Company replaced the Credit Agreement with a new five-year, $200.0 million unsecured revolving credit facility and received authorization from its Board of Directors to issue up to $200.0 million in senior unsecured notes. Further discussion of both of these matters can be found in Note 18.

The majority of the Company's remaining debt is related to industrial revenue bonds which were issued to finance capital improvements at the Ethan Allen Hotel and Conference Center, which is adjacent to the Company's corporate headquarters in Danbury, Connecticut. These bonds bear interest at a fixed rate of 7.50% and have a remaining maturity of 6 years.

The Company has loans outstanding in the aggregate amount of approximately $0.6 million related to the modernization of its Beecher Falls, Vermont manufacturing facility. These loans bear interest at fixed rates ranging from 3.00% to 5.50% and have remaining maturities of 1 to 22 years. The loans have a first and second lien in respect of equipment financed by such loans and a first and second mortgage interest in respect of the building, the construction of which was also financed by such loans.

The Company assumed $4.3 million in third-party debt in connection with its acquisition of 16 retail stores during fiscal 2003. This debt was in the form of a line of credit, a mortgage on an existing retail store location and, to a lesser extent, obligations under certain capital leases. As of June 30, 2005, $4.2 million of this amount had been repaid. The remaining outstanding balance relates to the aforementioned capital lease obligations.

Aggregate scheduled maturities of long-term debt for each of the five fiscal years subsequent to June 30, 2005, and thereafter are as follows (in thousands):

Fiscal Year Ended June 30:

2006	$ 240
2007	38
2008	40
2009	8,041
2010	42
Subsequent to 2010	4,109
Total debt payments	$ 12,510

(8) Leases

Ethan Allen leases real property and equipment under various operating lease agreements expiring through 2029. Leases covering retail store locations and equipment may require, in addition to stated minimums, contingent rentals based on retail sales or equipment usage. Generally, the leases provide for renewal for various periods at stipulated rates.

Future minimum payments by year, and in the aggregate, under non-cancelable operating leases consisted of the following at June 30, 2005 (in thousands):

Fiscal Year Ended June 30:

2006	$ 30,317
2007	26,651
2008	23,408
2009	18,629
2010	16,720
Subsequent to 2010	58,172
Total minimum lease payments	$ 173,897

The above amounts will be offset in the aggregate by minimum future rentals from subleases of $15.4 million.

Total rent expense for each of the past three fiscal years ended June 30 was as follows (in thousands):

	2005	2004	2003
Basic rentals under operating leases	$ 31,329	$ 29,361	$ 26,722
Contingent rentals under operating leases	654	796	691
	31,983	30,157	27,413
Less: sublease rent	(3,812)	(2,926)	(2,269)
Total rent expense	$ 28,171	$ 27,231	$ 25,144

As of June 30, 2005 and 2004, deferred rent credits totaling $7.9 million and $7.2 million, respectively, and deferred lease incentives totaling $4.0 million and $1.9 million, respectively, are reflected in the Consolidated Balance Sheets. These amounts are amortized over the respective underlying lease terms on a straight-line basis as a reduction of rent expense.

(9) Shareholders' Equity

The Company's authorized capital stock consists of (a) 150,000,000 shares of Common Stock, par value $.01 per share, (b) 600,000 shares of Class B Common Stock, par value $.01 per share, and (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, (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"). Shares of Class B Common Stock are convertible to shares of the Company's Common Stock upon the occurrence of certain events or other specified conditions being met. As of June 30, 2005 and 2004, there were no shares of Preferred Stock or Class B Common Stock issued or outstanding.

On November 21, 2002, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase up to 2.0 million shares of its common stock, from time to time, either directly or through agents, in the open market at prices and on terms satisfactory to the Company. Subsequent to that date, the Board of Directors has increased the then remaining authorization as follows: from 904,755 shares to 2.5 million shares on April 27, 2004; from 753,600 shares to 2.0 million shares on November 16, 2004; and from 691,100 shares to 2.0 million shares on April 26, 2005. The Company also retires shares of unvested restricted stock and, prior to June 30, 2002, repurchased shares of common stock from terminated or retiring employee's accounts in the Ethan Allen Retirement Savings Plan.

All of the Company's common stock repurchases and retirements are recorded as treasury stock and result in a reduction of shareholders' equity. During fiscal years 2005, 2004 and 2003, the Company repurchased and/or retired the following shares of its common stock:

	2005(1)(3)	2004(1)	2003(2)
Common shares repurchased	2,410,400	1,004,445	1,457,000
Cost to repurchase common shares	$ 81,435,589	$ 39,094,203	$ 43,503,500
Average price per share	$ 33.79	$ 38.92	$ 29.86

(1) The cost to repurchase shares in fiscal years 2005 and 2004 reflects $745,735 in common stock repurchases with a June 2004 trade date and a July 2004 settlement date.
(2) The cost to repurchase shares in fiscal years 2003 excludes $7,197,165 in common stock repurchases with a June 2002 trade date and a July 2002 settlement date.
(3) During fiscal 2005, the Company also retired 405,511 shares of common stock tendered upon the exercise of outstanding employee stock options. The value of such shares on the date redeemed was $12,173,440, representing an average price per share of $30.02.

For each of the fiscal years presented above, the Company funded its purchases of treasury stock with existing cash on hand and cash generated through current period operations. As of June 30, 2005, the Company had a remaining Board authorization to repurchase 2.0 million shares.

On May 20, 1996, the Board of Directors adopted a Stockholder Rights Plan (the "Rights Plan") and declared a dividend of one Right for each share of the Company's common stock outstanding as of July 10, 1996. Under the Rights Plan, each share of the Company's common stock issued after July 10, 1996 is accompanied by one Right (or such other number of Rights as results from the adjustments for stock splits and other events described below). 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 purchase price of $125. 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 acquisition by a person or group of 15% or more of the Company's common stock. Until then, separate Rights certificates will not be issued and the Rights will not be traded separately from shares of the Company's common stock.

If the Rights become exercisable, then, upon exercise of a Right, the Company's stockholders (other than the acquirer) would have the right to receive, in lieu of the Company's Series C Junior Participating Preferred Stock, a number of shares of the Company's common stock (or a number of shares of the common stock of the acquirer, if the Company is acquired, or other assets under various circumstances) having a market value equal to two times the purchase price. Under the Rights Plan, as amended by the Board of Directors on July 27, 2004, the Rights will expire on May 31, 2011, 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 time when the Rights become exercisable.

The Rights Plan provides for adjustment to the number of Rights which accompanies each share of the Company's common stock (whether then outstanding or thereafter issued) upon the occurrence of various events after July 10, 1996, including stock splits. The Company effected a 2-for-1 stock split on September 3, 1997 and a 3-for-2 stock split on May 24, 1999. Accordingly, at June 20, 2005, each share of the Company's common stock was accompanied by one-third of one Right.

(10) Earnings per Share

The following table sets forth the calculation of weighted average shares for the fiscal years ended June 30 (in thousands):

	2005	2004	2003
Weighted average common shares outstanding for basic calculation	35,400	37,179	37,607
Effect of dilutive stock options and awards	793	1,116	962
Weighted average common shares outstanding, adjusted for diluted calculation	36,193	38,295	38,569

In 2005, 2004 and 2003, stock options to purchase 778,458, 63,756 and 71,781 shares, respectively, had exercise prices that exceeded the average market price for each corresponding period. These options have been excluded from the

respective diluted earnings per share calculation as their impact is anti-dilutive.

(11) Employee Stock Plans

The Company has 6,320,139 shares of Common Stock reserved for issuance pursuant to the following stock-based compensation plans:

1992 Stock Option Plan

The Plan provides for the grant of non-compensatory stock options to eligible employees and non-employee directors. Stock options granted under the Plan are non-qualified under Section 422 of the Internal Revenue code and allow for the purchase of shares of the Company's Common Stock. The Plan also provides for the issuance of stock appreciation rights ("SARs") on issued options, however, no SARs have been issued as of June 30, 2005. 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. Options awarded are exercisable at the market value of the Company's Common Stock at the date of grant and vest ratably over a four-year period for awards to employees and a two-year period for awards to independent directors.

Mr. Kathwari, the Company's President and Chief Executive Officer, entered into a new employment agreement with the Company dated August 1, 2002 (the "2002 Employment Agreement"). This agreement was effective as of July 1, 2002 and served to supercede all terms and conditions set forth in his previous employment agreement dated July 1, 1997, which expired on June 30, 2002 (the "1997 Employment Agreement"). Pursuant to the terms of the 2002 Employment Agreement, Mr. Kathwari was awarded, on August 1, 2002, August 1, 2003, and August 1, 2004, options to purchase 600,000, 400,000 and 200,000 shares, respectively, of the Company's Common Stock. These options were issued at exercise prices of $31.02, $35.53, and $37.15 per share, respectively, (the price of a share of the Company's Common Stock on the New York Stock Exchange as of such dates). The 2002 grant vests ratably over a three-year period, while the fiscal 2003 grant vests ratably over a two-year period, and the 2004 grant vests ratably over a one-year period.

The maximum number of shares of Common Stock reserved for issuance under the 1992 Stock Option Plan is 5,490,597 shares.

In connection with the 1992 Stock Option Plan, the following two stock award plans have also been established:

Restricted Stock Award

In connection with the 2002 Employment Agreement, Mr. Kathwari is entitled to receive, as of August 1, 2002 and for each successive year through August 1, 2004, an annual award of 10,500 shares of restricted stock, with vesting based on the performance of the Company's stock price during the three-year period subsequent to grant as compared to the Standard and Poor's 500 index. As of June 30, 2005, Mr. Kathwari has not been deemed vested in any of these shares.

Stock Unit Award

In accordance with the provisions of the 1997 Employment Agreement, the Company established, during fiscal 1998, a book account for Mr. Kathwari, which was credited with 21,000 Stock Units as of July 1 of each year, commencing July 1, 1997, for a total of up to 105,000 Stock Units, over the initial five-year term of the 1997 Employment Agreement, with an additional 21,000 Stock Units to be credited in connection with each of the two optional one-year extensions. Following the termination of his employment, Mr. Kathwari will receive shares of Common Stock equal to the number of Stock Units credited to the account. In connection with the establishment of the 2002 Employment Agreement, Mr. Kathwari was deemed to have earned 126,000 of the Stock Units contemplated under the performance provisions of the 1997 Employment Agreement.

Incentive Stock Option Plan

In 1991, pursuant to the Incentive Stock Option Plan, the Company granted to members of management options to purchase 829,542 shares of Common Stock at an exercise price of $5.50 per share. These options vested ratably over a five-year period.

Stock option activity during fiscal years 2005, 2004 and 2003 was as follows:

	Number of Shares
	1992 Stock Option Plan
Options Outstanding - June 30, 2002	3,266,981
Granted in 2003	694,800
Exercised in 2003	(187,896)
Canceled in 2003	(59,780)
Options Outstanding - June 30, 2003	3,714,105
Granted in 2004	474,200
Exercised in 2004	(349,844)
Canceled in 2004	(48,470)
Options Outstanding - June 30, 2004	3,789,991
Granted in 2005	266,025
Exercised in 2005	(774,276)
Canceled in 2005	(21,733)
Options Outstanding - June 30, 2005	3,260,007

The following table summarizes the stock awards outstanding and exercisable at June 30, 2005:

Options Outstanding		**Options Exercisable**
	Weighted Average	

Exercise Price Range	Number	Remaining Life (in years)	Exercise Price	Number	Weighted Average Exercise Price
$ 6.33 to 18.21	35,900	1.7	$ 15.02	35,900	$ 15.02
21.17 to 25.00	873,814	2.5	21.63	873,814	21.63
26.25 to 28.31	810,610	2.4	27.47	809,763	27.47
29.23 to 35.53	1,232,177	7.5	32.53	723,227	32.29
37.15 to 41.59	307,506	8.6	38.21	55,754	39.53
	3,260,007	4.9	$ 28.69	2,498,458	$ 26.91

As stated in Note 1, the Company employs the intrinsic value recognition and measurement provisions of APB No. 25 in accounting for stock-based compensation. However, in complying with the disclosure provisions of SFAS No. 123, the Company estimates the fair value of stock options granted using the Black-Scholes option-pricing model. The per share weighted average fair value of stock options granted during fiscal years 2005, 2004 and 2003 was $15.02, $17.45, and $15.94, respectively.

The fair value of each stock option grant was estimated on the date of grant using the following assumptions: weighted average risk-free interest rates of 4.32%, 4.19%, and 4.26% for fiscal years 2005, 2004 and 2003, respectively; dividend yields of 1.69%, 1.11%, and 0.83% for fiscal years 2005, 2004 and 2003, respectively; expected volatility factors of 38.7%, 43.1%, and 44.3% for fiscal years 2005, 2004 and 2003, respectively; and expected lives of 8.0 years, 8.4 years and 8.5 years for fiscal 2005, 2004, and 2003, respectively.

The table located in Note 1 illustrates the effect on net income and earnings per share as if the fair value recognition and measurement provisions of SFAS No. 123 had been applied to all outstanding and unvested awards in each period.

(12) Income Taxes

Total income taxes were allocated as follows for the fiscal years ended June 30 (in thousands):

	2005	2004	2003
Income from operations	$ 50,082	$ 49,617	$ 45,350
Shareholders' equity	(6,953)	(3,750)	(1,536)
Total	$ 43,129	$ 45,867	$ 43,814

The income taxes credited to shareholders' equity relate to the tax benefit arising from the exercise of employee stock options.

Income tax expense (benefit) attributable to income from operations consists of the following for the fiscal years ended June 30 (in thousands):

	2005	2004	2003
Current:			
Federal	$39,423	$42,997	$35,909
State	6,724	6,500	5,152
Total current	46,147	49,497	41,061
Deferred:			
Federal	3,445	132	3,934
State	490	(12)	355
Total deferred	3,935	120	4,289
Income tax expense	$50,082	$49,617	$45,350

The following is a reconciliation of expected income tax expense (computed by applying the federal statutory income tax rate to income before taxes) to actual income tax expense (in thousands):

	2005		2004		2003	
Expected income tax expense	$45,297	35.0%	$45,137	35.0%	$41,956	35.0%
State income taxes, net of federal income tax benefit	4,918	3.8%	4,213	3.2%	3,211	2.6%
Other, net	(133)	(0.1)%	267	0.2%	183	0.2%
Actual income tax expense	$50,082	38.7%	$49,617	38.4%	$45,350	37.8%

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

	2005	2004	2003
Deferred tax expense (benefit)	$ 2,858	$ (1,229)	$ 2,833

Utilization of net operating loss carryforwards	1,077	1,349	1,456
Total deferred tax expense (benefit)	$ 3,935	$ 120	$ 4,289

The tax effects of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, which give rise to deferred tax assets and liabilities, are as follows at June 30 (in thousands):

	2005	2004
Deferred tax assets:		
Accounts receivable	$ 817	$ 960
Inventories	--	3,744
Employee compensation accruals	8,091	7,603
Restructuring accruals	--	9,057
Other accrued liabilities	648	3,015
Deferred rent credits	4,450	3,123
Net operating loss carryforwards	667	1,744
Tax credit carryforwards	206	635
Total deferred tax asset	14,879	29,881
Deferred tax liabilities:		
Inventories	1,007	--
Property, plant and equipment	17,691	26,348
Intangible assets other than goodwill	17,857	14,525
Non-deductible temporary differences arising as a result of Section 481a changes in accounting methods	889	7,719
Other	3,713	3,632
Total deferred tax liability	41,157	52,224
Net deferred tax liability	$ 26,278	$ 22,343

The deferred income tax balances are classified in the Consolidated Balance Sheets as follows at June 30 (in thousands):

	2005	2004
Current assets	$ 10,366	$ 26,026
Non-current assets	4,513	3,855
Current liabilities	1,007	--
Non-current liabilities	40,150	52,224
Total net deferred tax liability	$ 26,278	$ 22,343

Note: Current assets and current liabilities and non-current assets and non-current liabilities have been presented net in the Consolidated Balance Sheets.

At June 30, 2005, the Company has, for federal income tax purposes, approximately $1.9 million of net operating loss carryforwards ("NOLs"). The Company's utilization of these remaining NOLs, which expire in 2022, is limited, pursuant to Section 381(c) of the Internal Revenue Code, based upon the separate earnings and/or eventual liquidation of the wholly-owned subsidiary to which the NOLs relate.

Based on the Company's historical and anticipated future pre-tax earnings, management believes that it is more likely than not that the Company's deferred tax assets will be realized.

(13) Employee Retirement Programs

The Ethan Allen Retirement Savings Plan

The Ethan Allen Retirement Savings Plan (the "Savings Plan") is a defined contribution plan, which is offered to substantially all employees of the Company who have completed three consecutive months of service regardless of hours worked.

Ethan Allen may, at its discretion, make a matching contribution to the 401(k) portion of the Savings Plan on behalf of each participant, provided the contribution does not exceed the lesser of 50% of the participant's contribution or $1,300 per participant per Savings Plan year. Total profit sharing and 401(k) Company match expense amounted to $4.0 million in 2005, $3.7 million in 2004, and $3.9 million in 2003.

Other Retirement Plans and Benefits

Ethan Allen provides additional benefits to selected members of senior and middle management in the form of previously entered deferred compensation arrangements and a management cash bonus and other incentive programs. The total cost of these benefits was $3.0 million, $3.2 million, and $3.3 million in 2005, 2004 and 2003, respectively.

(14) Litigation

The Company and its subsidiaries are subject to various environmental laws and regulations. Under these laws, the Company and/or its subsidiaries are, or may be, required to remove or mitigate the effects on the environment of the disposal or release of certain hazardous materials.

As of June 30, 2005, the Company and/or its subsidiaries has been named as a potentially responsible party ("PRP") with respect to the remediation of four active sites currently listed, or proposed for inclusion, on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, ("CERCLA"). The sites are located in Lyndonville, Vermont; Southington, Connecticut; High Point, North Carolina; and Atlanta, Georgia.

With respect to the Lyndonville, Vermont site, the Company has substantially resolved its liability by completing remedial construction activities. The

Company continues to work with the U.S. Environmental Protection Agency ("EPA") and has obtained a certificate of construction completion, subject to certain limited conditions. The Company does not anticipate incurring significant costs with respect to the Southington, Connecticut, High Point, North Carolina, or Atlanta, Georgia sites as it 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 those sites. Specifically, with respect to the Southington site, the Company's volumetric share is less than 1% of over 51 million gallons disposed of at the site and there are more than 1,000 PRPs. With respect to the High Point site, the Company's volumetric share is less than 1% of over 18 million gallons disposed of at the site and there are more than 2,000 PRPs, including 1,100 "de-minimis" parties (of which Ethan Allen is one). With respect to the Atlanta site, a former solvent recycling/reclamation facility, the Company's volumetric share is less than 1% of over 20 million gallons disposed of at the site by more than 1,700 PRPs. In all three cases, the other PRPs consist of local, regional, national and multi-national companies.

Liability under CERCLA may be joint and several. As such, to the extent certain named PRPs are unable, or unwilling, to accept responsibility and pay their apportioned costs, the Company could be required to pay in excess of its pro rata share of incurred remediation costs. The Company's understanding of the financial strength of other PRPs has been considered, where appropriate, in the determination of the Company's estimated liability.

In addition, in July 2000, the Company was notified by the State of New York (the "State") that it may be named a PRP in a separate, unrelated matter with respect to a site located in Carroll, New York. To date, no further notice has been received from the State and an initial environmental study has not yet been conducted at this site.

As of June 30, 2005, the Company believes that established reserves related to these environmental contingencies are adequate to cover probable and reasonably estimable costs associated with the remediation and restoration of these sites.

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. Such investigations and proceedings typically concern air emissions, water discharges, and/or management of solid and hazardous wastes. The Company believes that its facilities are in material compliance with all such applicable laws and regulations.

Regulations issued under the Clean Air Act Amendments of 1990 required the industry to reformulate certain furniture finishes or institute process changes to reduce emissions of volatile organic compounds. Compliance with many of these requirements has been facilitated through the introduction of high solids coating technology and alternative formulations. In addition, the Company has instituted a variety of technical and procedural controls, including reformulation of finishing materials to reduce toxicity, implementation of high velocity low pressure spray systems, development of storm water protection plans and controls, and further development of related inspection/audit teams, all of which have served to reduce emissions per unit of production. Ethan Allen remains committed to implementing new waste minimization programs and/or enhancing existing programs with the objective of (i) reducing the total volume of waste, (ii) limiting the liability associated with waste disposal, and (iii) continuously improving environmental and job safety programs on the factory floor which serve to minimize emissions and safety risks for employees. The Company will continue to evaluate the most appropriate, cost effective, control technologies for finishing operations and design production methods to reduce the use of hazardous materials in the manufacturing process.

(15) Comprehensive Income

Total comprehensive income represents the sum of net income and items of "other comprehensive income or loss" that are reported directly in equity. Such items may include foreign currency translation adjustments, minimum pension liability adjustments, fair value adjustments on certain derivative instruments, and unrealized gains and losses on certain investments in debt and equity securities.

The Company has reported its total comprehensive income in the Consolidated Statement of Shareholders' Equity.

The Company's accumulated other comprehensive income, which is attributable solely to foreign currency translation adjustments for the periods presented in the Consolidated Balance Sheets, was $1.1 million at June 30, 2005 and $0.6 million at June 30, 2004. These amounts are the result of changes in foreign currency exchange rates related to the operations of 5 Ethan Allen-owned retail stores located in Canada. Foreign currency translation adjustments exclude income tax expense (benefit) given that the earnings of non-U.S. subsidiaries are deemed to be reinvested for an indefinite period of time.

(16) Segment Information

The Company's reportable segments represent strategic business areas which, although they operate separately, both offer the Company's complete line of home furnishings through their own distinctive services. The Company's operations are classified into two such segments: wholesale and retail.

The wholesale segment is principally involved in the development of the Ethan Allen brand, which encompasses the design, manufacture, domestic and off-shore sourcing, sale and distribution of a full range of home furnishings to a network of independently-owned and Ethan Allen-owned stores as well as related marketing and brand awareness efforts. Wholesale profitability includes the wholesale gross margin, which is earned on wholesale sales to all retail stores, including Ethan Allen-owned stores.

The retail segment sells home furnishings to consumers through a network of Company-owned stores. Retail profitability includes the retail gross margin, which represents the difference between retail sales price and the cost of goods purchased from the wholesale segment.

While the manner in which the Company's home furnishings are marketed and sold is consistent, the nature of the underlying recorded sales (i.e. wholesale versus retail) and the specific services that each operating segment provides (i.e. wholesale manufacture and distribution versus retail sales) are different. Within the wholesale segment, the Company maintains revenue information according to each respective product line (i.e. case goods, upholstery, or home accessories and other).

A breakdown of wholesale sales by these product lines for each of the last three fiscal years is provided below:

	Fiscal Year Ended June 30,		
	2005	**2004**	**2003**
Case Goods	49%	52%	53%
Upholstered Products	36	34	33
Home Accessories and Other	15	14	14
	100%	100%	100%

Revenue information by product line is not readily available within the retail segment as it is not practicable. However, because wholesale production and sales are matched, for the most part, to incoming orders, the Company believes that the allocation of retail sales would be similar to that of the wholesale segment.

The Company evaluates performance of the respective segments based upon revenues and operating income. Inter-segment eliminations result, primarily, from the wholesale sale of inventory to the retail segment, including the related profit margin. Inter-segment eliminations also include items not allocated to reportable segments.

The following table presents segment information for each of the fiscal years ended June 30, 2005, 2004, and 2003 (in thousands):

	2005	**2004**	**2003**
Net Sales:			
Wholesale segment	$ 663,218	$ 673,771	$ 660,986
Retail segment	586,234	576,186	526,388
Elimination of inter-company sales	(300,440)	(294,850)	(280,110)

Consolidated Total	$ 949,012	$ 955,107	$ 907,264

	2005	**2004**	**2003**
Operating Income:			
Wholesale segment (1)	$ 115,863	$ 108,033	$ 109,341
Retail segment	12,764	11,721	13,387
Adjustment for inter-company profit (2)	351	6,650	(3,271)
Consolidated Total	$ 128,978	$ 126,404	$ 119,457
Capital Expenditures:			
Wholesale segment	$ 4,897	$ 6,801	$ 11,759
Retail segment	25,404	16,733	16,690
Acquisitions (3)	4,080	1,442	11,332
Consolidated Total	$ 34,381	$ 24,976	$ 39,781
Total Assets:			
Wholesale segment	$ 352,817	$ 387,041	$ 467,963
Retail segment	311,263	302,043	303,555
Inventory profit elimination (4)	(31,223)	(30,717)	(36,510)
Consolidated Total	$ 632,857	$ 658,367	$ 735,008

(1) Operating income for the wholesale segment includes pre-tax restructuring and impairment charges, net of $12.5 million and $13.1 million recorded in fiscal years 2004 and 2003, respectively.
(2) Represents the change in the inventory profit elimination entry necessary to adjust for the embedded wholesale profit contained in Ethan Allen-owned store inventory existing at the end of the period. See footnote 4 below.
(3) Acquisitions include the purchase of 6 retail stores in 2005, 4 retail stores in 2004 and 16 retail stores in 2003.
(4) Represents the embedded wholesale profit contained in Ethan Allen-owned store inventory that has not yet been realized. These profits are realized when the related inventory is sold.

There are 28 independent retail stores located outside the United States. Less than 2.0% of the Company's net sales are derived from sales to these retail stores.

(17) Selected Quarterly Financial Data (Unaudited)

Tabulated below are certain data for each quarter of the fiscal years ended June 30, 2005, 2004, and 2003 (in thousands, except per share data):

	Quarter Ended			
	September 30	December 31	March 31	June 30
Fiscal 2005:				
Net sales	$ 230,346	$ 245,252	$231,154	$242,260
Gross profit	110,382	119,444	110,450	120,778
Net income	18,758	23,134	17,935	19,511
Earnings per basic share	0.52	0.65	0.51	0.57
Earnings per diluted share	0.51	0.63	0.50	0.56
Dividend declared per common share	0.15	0.15	0.15	0.15
Fiscal 2004:				
Net sales	$ 222,765	$ 241,150	$244,592	$246,600
Gross profit	108,432	116,268	119,262	117,073
Net income	18,690	24,197	23,131	13,460
Earnings per basic share	0.50	0.65	0.62	0.36
Earnings per diluted share	0.49	0.63	0.60	0.35
Dividend declared per common share	0.10	0.10	0.10	3.10(1)
Fiscal 2003:				
Net sales	$ 216,529	$ 229,713	$224,574	$236,448
Gross profit	106,704	115,793	111,939	114,904
Net income	19,955	22,870	11,439	20,360
Earnings per basic share	0.53	0.61	0.30	0.55
Earnings per diluted share	0.51	0.59	0.30	0.54
Dividend declared per common share	0.06	0.06	0.06	0.07

(1) On April 27, 2004, the Company declared a special, one-time cash dividend of $3.00 per common share, payable on May 27, 2004 to shareholders of record as of May 10, 2004.

(18) Subsequent Events

Stock Repurchases and Remaining Authorization

Subsequent to June 30, 2005 and through September 9, 2005, the Company repurchased, in 17 separate open market transactions, an additional 1,140,000 shares of its common stock at a total cost of $36.8 million, representing an average price per share of $32.28. As of September 9, 2005, the Company had a remaining Board authorization to repurchase 860,000 shares.

Revolving Credit Facility

On July 21, 2005, the Company entered into a five-year, $200.0 million unsecured revolving credit facility with J.P. Morgan Chase Bank, N.A. ("JP Morgan"), as administrative agent, and certain other lenders (the "New Credit Agreement"). The New Credit Agreement replaces the five-year, $100.0 million unsecured credit facility, effective June 2004, which is discussed further in Note 7.

The New Credit Agreement consists of a $200.0 million unsecured revolving credit facility and includes an accordion feature providing an additional $100.0 million of liquidity, if needed. In addition, the New Credit Agreement contains sub-facilities for trade and standby letters of credit of $100.0 million and swing line loans of $5.0 million. Revolving loans under the New Credit Agreement bear interest at JP Morgan's Alternate Base Rate (as defined), or adjusted LIBOR plus 0.40% (plus a utilization fee of 0.125% during any period that usage of the facility is 50% or more of the total commitment under the facility), and are subject to adjustment resulting from changes in the credit rating of Ethan Allen's senior unsecured debt. The New Credit Agreement also provides for the payment of (i) a facility fee equal to 0.10% per annum on the average daily amount (whether used or unused) of the revolving credit commitment and (ii) a letter of credit fee equal to 0.525% per annum on the average daily letters of credit outstanding.

The New Credit Agreement has a maturity date of July 21, 2010 and there are no minimum repayments required during the term of the facility. The revolving loans may be borrowed, repaid and re-borrowed over the term of the facility until final maturity.

The New Credit Agreement also contains various covenants which limit the ability of the Company to: incur debt; engage in mergers and consolidations; make restricted payments; sell certain assets; make investments; and issue stock. The Company is also required to meet certain financial covenants including a fixed charge coverage ratio and a leverage ratio. In addition, the New Credit Agreement contains customary representations and warranties, conditions to borrowing (including the continued accuracy of such representations and warranties) and events of default (the occurrence of which would entitle the lenders to accelerate the maturity of any outstanding borrowings and terminate their commitment to make future loans).

As of September 9, 2005, the Company had revolving loans and trade and standby letters of credit outstanding under the New Credit Agreement totaling $17.0 million and $15.6 million, respectively. Remaining available borrowing capacity under the New Credit Agreement at that date was $167.4 million.

Senior Unsecured Notes

On July 26, 2005, the Board of Directors of the Company authorized the issuance of up to $200.0 million in senior unsecured notes. At this time, the specific terms of the proposed financing, including the duration of the notes and the related pricing, have not yet been determined, and closing of the issuance is subject to satisfactory determination thereof, changes in capital market

conditions, material changes affecting the Company or its business or industry and other factors. If completed as authorized, the Company intends to utilize the proceeds from the issuance for general corporate purposes including, but not limited to, (i) retail store expansion, (ii) investment in manufacturing operations, (iii) acquisitions, (iv) the payment of dividends, and (v) the repurchase of shares of the Company's common stock in the open market. The Company has no present commitments or understandings as to any material acquisition.

In connection with the forecasted issuance of the proposed notes, the Company entered into 6 separate forward contracts to hedge the risk-free interest rate associated with $108.0 million of the related debt in order to minimize the negative impact of interest rate fluctuations on the Company's earnings, cash flows and equity. The forward contracts were entered into with a major banking institution thereby minimizing the risk of credit loss. These hedging transactions were executed during July and August 2005 and, as such, have not been reflected in the Company's financial position, results of operations or cash flows for the year ended June 30, 2005. The Company will apply the provisions of SFAS No. 133 in accounting for these derivative instruments.

Acquisitions

On July 1, 2005, the Company acquired three Ethan Allen retail stores from an independent retailer for total consideration of approximately $1.7 million. As a result of this acquisition, the Company (i) recorded additional inventory of approximately $1.4 million and other assets of approximately $0.1 million, and (ii) assumed customer deposits of approximately $0.6 million and other liabilities of approximately $0.1 million. Goodwill associated with this acquisition totaled approximately $0.9 million and represents the premium paid to the seller related to the acquired business (i.e. market presence) and other fair value adjustments to the assets acquired and liabilities assumed.

Restructuring and Impairment Charge

On September 7, 2005, the Company announced a plan to convert its Dublin, Virginia case goods manufacturing facility into a regional distribution center. In connection with this initiative, the Company will permanently cease production at the Dublin location and consolidate the distribution operations of its existing Old Fort, North Carolina location into the new, larger facility.

The decision impacts approximately 325 employees, of which the Company expects approximately 75 to remain employed by Ethan Allen in new positions. The net reduction in headcount is anticipated to occur throughout the second quarter of fiscal 2006. The Company will record a pre-tax restructuring and impairment charge of approximately $4.0 to $5.0 million ($2.5 to $3.1 million, after-tax) for costs associated with this initiative, of which approximately $1.5 million relates to employee severance and benefits and other plant exit costs, and approximately $2.5 to $3.5 million relates to fixed asset impairment charges, primarily for real property and machinery and equipment.

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

No changes in, or disagreements with, accountants as a result of accounting or financial disclosure matters, occurred during fiscal years 2005, 2004 or 2003.

Item 9A. Controls and Procedures

Management's Report on Disclosure Controls and Procedures

Ethan Allen's management, including the Chairman of the Board and Chief Executive Officer ("CEO") and the Vice President-Finance ("VPF"), conducted an evaluation of the effectiveness of disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the CEO and VPF have concluded that, as of June 30, 2005, the Company's disclosure controls and procedures were effective in ensuring that material information relating to the Company (including its consolidated subsidiaries), which is required to be included in the Company's periodic filings under the Exchange Act, was made known to them in a timely manner.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including the CEO and VPF, Ethan Allen conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as of June 30, 2005.

KPMG LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, has also audited (i) management's assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2005, and (ii) the effectiveness of the Company's internal control over financial reporting as of June 30, 2005, as stated in their report incorporated by reference under Item 8.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth fiscal quarter ended June 30, 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Except as set forth below, the information required by Items 10, 11, 12, 13 and 14 will appear in the Ethan Allen Interiors Inc. proxy statement for the Annual Meeting of Shareholders scheduled to be held on November 14, 2005 (the "Proxy Statement"). The Proxy Statement, which will be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, is incorporated by reference in this Annual Report pursuant to General Instruction G(3) of Form 10-K (other than the portions thereof not deemed to be

"filed" for the purpose of Section 18 of the Securities Exchange Act of 1934). In addition, the information set forth below is provided as required by Item 10 and the listing standards of the New York Stock Exchange ("NYSE").

Item 10. Directors and Executive Officers of the Registrant

Code of Ethics

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Company's code of ethics can be accessed via its website at www.ethanallen.com/governance.

The Company intends to disclose any amendment of its Code of Ethics, or waiver of provision thereof, applicable to the Company's principal executive officer and/or principal financial officer, or persons performing similar functions, on its website within 4 days of the date of such amendment or waiver. In the case of a waiver, the nature of the waiver, the name of the person to whom the waiver was granted, and the date of the waiver will also be disclosed.

Information contained on, or connected to, the Company's website is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report that the Company files with, or furnishes to, the SEC.

Audit Committee Financial Expert

The Company's Board of Directors has determined that the Company has three "audit committee financial experts", as defined under Item 401 of Regulation S-K of the Securities Exchange Act of 1934, currently serving on its Audit Committee. Those members of the Company's Audit Committee who are deemed to be audit committee financial experts are as follows:

Clinton A. Clark
Horace G. McDonell
Richard A. Sandberg

All persons identified as audit committee financial experts are independent from management as defined by Item 7(d)(3), of Schedule 14A.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Equity Compensation Plan Information

The following table sets forth certain information regarding the Company's equity compensation plans as of June 30, 2005.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders (1)	3,417,507	$ 27.37	470,131
Equity compensation plans not approved by security holders (2)	--	--	--
Total	3,417,507	$ 27.37	470,131

(1) Amount includes stock options outstanding under the Company's 1992 Stock Option Plan (the "Plan") as well as unvested shares of restricted stock and vested Stock Units which have been provided for under the provisions of the Plan. See Note 11 to the Company's Consolidated Financial Statements included under Item 8 of this Annual Report.

(2) As of June 30, 2005, the Company does not maintain any equity compensation plans which have not been approved by its shareholders.

NYSE Certification

Mr. Kathwari, Chief Executive Officer and President, has certified to the NYSE, pursuant to Section 303A.12 of the NYSE's listing standards, that he is unaware of any violation by the Company of the NYSE's corporate governance listing standards.

PART IV

Item 15. Exhibits and Financial Statement Schedules

I. Listing of Documents

(1) *Financial Statements*. The Company's Consolidated Financial Statements included under Item 8 hereof, as required at June 30, 2005 and 2004, and for the years ended June 30, 2005, 2004 and 2003, 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 Schedule.* The Company's Financial Statement Schedule, appended hereto, as required for the years ended June 30, 2005, 2004 and 2003, consists of the following:

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 consolidated financial statements or notes thereto.

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

	Exhibit Number	Exhibit
	3(a)	Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3(c) to the Registration Statement on Form S-1 of the Company filed with the SEC on March 16, 1993)
	3(a)-1	Certificate of Amendment to Restated Certificate of Incorporation as of August 5, 1997 (incorporated by reference to Exhibit 3(c)-2 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on May 13, 1999)
	3(a)-2	Second Certificate of Amendment to Restated Certificate of Incorporation as of March 27, 1998 (incorporated by reference to Exhibit 3(c)-3 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on May 13, 1999)
	3(a)-3	Third Certificate of Amendment to Restated Certificate of Incorporation as of April 28, 1999 (incorporated by reference to Exhibit 3(c)-4 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on May 13, 1999)
	3(b)	Certificate of Designation relating to the New Convertible Preferred Stock (incorporated by reference to the Registration Statement on Form S-1 of the Company filed with the SEC on March 16, 1993)
	3(c)	Certificate of Designation relating to the Series C Junior Participating Preferred Stock (incorporated by reference to Exhibit 1 to Form 8-A of the Company filed with the SEC on July 3, 1996)

*	3(c)-1	Certificate of Amendment of Certificate of Designation of Series C Junior Participating Preferred Stock
	3(d)	Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3(d) to the Registration Statement on Form S-1 of the Company filed with the SEC on March 16, 1993)
	4(a)	Rights Agreement, dated July 26, 1996, between the Company and Harris Trust and Savings Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company filed with the SEC on July 3, 1996)
*	4(a)-1	Amendment No. 1 to Rights Agreement, dated as of December 23, 2004 between the Company and Harris Trust Savings Bank and Computershare Investor Services, LLC
	10(a)	Restated Directors Indemnification Agreement dated March 1993, among the Company and Ethan Allen and their Directors (incorporated by reference to Exhibit 10(c) to the Registration Statement on Form S-1 of the Company filed with the SEC on March 16, 1993)
*	10(b)	The Ethan Allen Retirement Savings Plan as Amended and Restated, effective January 1, 2001
*	10(b)-1	First Amendment of The Ethan Allen Retirement Savings Plan as Amended and Restated
*	10(b)-2	Second Amendment of The Ethan Allen Retirement Savings Plan as Amended and Restated
*	10(b)-3	Third Amendment of The Ethan Allen Retirement Savings Plan as Amended and Restated
*	10(b)-4	Fourth Amendment of The Ethan Allen Retirement Savings Plan as Amended and Restated
*	10(b)-5	Fifth Amendment of The Ethan Allen Retirement Savings Plan as Amended and Restated
*	10(b)-6	Sixth Amendment of The Ethan Allen Retirement Savings Plan as Amended and Restated
	10(c)	General Electric Capital Corporation Credit Card Program Agreement dated August 25, 1995 (incorporated by reference from Exhibit 10(h) to the Annual Report on Form 10-K of the Company filed with the SEC on September 21, 1995)

	10(c)-1	First Amendment to Credit Card Program Agreement dated February 22, 2000 (incorporated by reference to Exhibit 10(h)-1 to the Annual Report on Form 10-K of the Company filed with the SEC on September 13, 2000)
	10(d)	Sales Finance Agreement, dated June 25, 1999, between the Company and MBNA America Bank, N.A. (incorporated by reference to Exhibit 10(j) to the Annual Report on Form 10-K of the Company filed with the SEC on September 13, 2000)
	10(e)	Amended and Restated Consumer Credit Card Program Agreement, dated February 22, 2000, by and among the Company and Monogram Credit Card Bank of Georgia (incorporated by reference to Exhibit 10(k) to the Annual Report on Form 10-K of the Company filed with the SEC on September 13, 2000)

	10(e)-1	Second Amendment to Amended and Restated Consumer Credit Card Program Agreement, dated February 1, 2002, by and among the Company and Monogram Credit Card Bank of Georgia (incorporated by reference to Exhibit 10(k)-2 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on May 13, 2002) (confidential treatment requested as to certain portions)
	10(e)-2	Third Amendment to Amended and Restated Consumer Credit Card Program Agreement, dated July 26, 2002, by and among the Company and Monogram Credit Card Bank of Georgia (incorporated by reference to Exhibit 10(k)-3 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on November 12, 2002)
	10(f)	Employment Agreement, dated August 1, 2002, between Mr. Kathwari and Ethan Allen Interiors Inc. (incorporated by reference to Exhibit 10(l) to the Annual Report on Form 10-K of the Company filed with the SEC on September 30, 2002)
	10(f)-1	First Amendment to Employment Agreement, dated August 1, 2002, between Mr. Kathwari and Ethan Allen Interiors Inc. (incorporated by reference to Exhibit 10(l)-1 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on May 15, 2003)
*	10(g)	Credit Agreement, dated as of July 21, 2005, by and among Ethan Allen Global, Inc., Ethan Allen Interiors Inc., the J.P. Morgan Chase Bank, N.A., Citizens Bank of Massachusetts, Wachovia Bank, N.A. and certain other lenders (confidential treatment requested as to certain portions)
	10(h)	Amended and Restated 1992 Stock Option Plan (incorporated by reference to Exhibit 4(c)-2 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on November 14, 1997)
	10(h)-1	First Amendment to Amended and Restated 1992 Stock Option Plan (incorporated by reference to Exhibit 4(c)-3 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on February 12, 1999)
	10(h)-2	Second Amendment to Amended and Restated 1992 Stock Option Plan (incorporated by reference to Exhibit 4(c)-4 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on February 14, 2000)
*	10(h)-3	Third Amendment to Amended and Restated 1992 Stock Option Plan
*	10(h)-4	Form of Option Agreement for Grants to Independent Directors
*	10(h)-5	Form of Option Agreement for Grants to Employees
*	21	List of wholly-owned subsidiaries of the Company
*	23	Report and Consent of KPMG LLP
*	31.1	Rule 13a-14(a) Certification of Principal Executive Officer
*	31.2	Rule 13a-14(a) Certification of Principal Financial Officer
*	32.1	Section 1350 Certification of Principal Executive Officer
*	32.2	Section 1350 Certification of Principal Financial Officer

* Filed herewith.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
As of and for the Fiscal Years Ended June 30, 2005, 2004 and 2003
(In thousands)

Accounts Receivable:
Sales discounts, sales returns and allowance for doubtful accounts:

	Balance at Beginning of Period	Additions Charged to Income	Adjustments and/or Deductions	Balance at End of Period
June 30, 2005	$ 2,194	$ 563	$ (655)	$ 2,102
June 30, 2004	$ 1,490	$ 1,269	$ (565)	$ 2,194

June 30, 2003	$ 2,019	$ 354	$ (883)	$ 1,490

Inventory:
Inventory valuation allowance:

June 30, 2005	$ 3,181	$ 1,107	$ (1,597)	$ 2,691
June 30, 2004	$ 4,668	$ 1,075	$ (2,562)	$ 3,181
June 30, 2003	$ 4,517	$ 772	$ (621)	$ 4,668

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
M. Farooq Kathwari
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

By:/s/ Jeffrey Hoyt
Jeffrey Hoyt
Vice President, Finance and Treasurer
(Principal Financial Officer and
Principal Accounting Officer)

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, President and Chief Executive Officer (Principal Executive Officer)
/s/ Jeffrey Hoyt (Jeffrey Hoyt)	Vice President, Finance and Treasurer (Principal Financial Officer and Principal Accounting Officer)
/s/ Clinton A. Clark (Clinton A. Clark)	Director
/s/ Kristin Gamble (Kristin Gamble)	Director
/s/ Horace G. McDonell (Horace G. McDonell)	Director
/s/ Edward H. Meyer (Edward H. Meyer)	Director
/s/ Richard A. Sandberg (Richard A. Sandberg)	Director

/s/ Frank G. Wisner

Director

(Frank G. Wisner)

Date: September 12, 2005

EXHIBIT INDEX

Exhibit Number	Exhibit
3(c)-1	Certificate of Amendment of Certificate of Designation of Series C Junior Participating Preferred Stock
4(a)-1	Amendment No. 1 to Rights Agreement, dated as of December 23, 2004 between the Company and Harris Trust Savings Bank and Computershare Investor Services, LLC
10(b)	The Ethan Allen Retirement Savings Plan as Amended and Restated, effective January 1, 2001
10(b)-1	First Amendment of The Ethan Allen Retirement Savings Plan as Amended and Restated
10(b)-2	Second Amendment of The Ethan Allen Retirement Savings Plan as Amended and Restated
10(b)-3	Third Amendment of The Ethan Allen Retirement Savings Plan as Amended and Restated
10(b)-4	Fourth Amendment of The Ethan Allen Retirement Savings Plan as Amended and Restated
10(b)-5	Fifth Amendment of The Ethan Allen Retirement Savings Plan as Amended and Restated
10(b)-6	Sixth Amendment of The Ethan Allen Retirement Savings Plan as Amended and Restated
10(g)	Credit Agreement, dated as of July 21, 2005, by and among Ethan Allen Global, Inc., Ethan Allen Interiors Inc., the J.P. Morgan Chase Bank, N.A., Citizens Bank of Massachusetts, Wachovia Bank, N.A. and certain other lenders (confidential treatment requested as to certain portions)
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31.1	Rule 13a-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a) Certification of Principal Financial Officer
32.1	Section 1350 Certification of Principal Executive Officer
32.2	Section 1350 Certification of Principal Financial Officer

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF DESIGNATIONS
OF
SERIES C JUNIOR PARTICIPATING PREFERRED STOCK
OF
ETHAN ALLEN INTERIORS INC.

IT IS HEREBY CERTIFIED THAT:

1. The Certificate of Designations of Series C Junior Participating Preferred Stock of Ethan Allen Interiors Inc. (the "Corporation") is hereby amended by striking out Section 4(c) thereof and by substituting in its place the following new Section:

> "4(c) The Company shall not issue any shares of Series C Preferred Stock except upon the exercise of Rights issued pursuant to that certain Rights Agreement dated as of June 26, 1996, between the Company and Computershare Investor Services, LLC, as may be amended from time to time (the "Rights Agreement"), a copy of which is on file with the Secretary of the Company at the principal executive office of the Company and shall be made available to holders of record of Common Stock or Series C Preferred Stock without charge upon written request therefore addressed to the Secretary of the Company. Notwithstanding the foregoing sentence, nothing contained in the provisions hereof shall prohibit or restrict the Company from issuing for any purpose any series of Preferred Stock with rights and privileges similar to, different from, or greater than those of the Series C Preferred Stock."

2. No shares of Series C Junior Participating Preferred Stock have been issued.

3. Said amendment was duly adopted in accordance with the provisions of Section 151(g) of the General Corporation Law of the State of Delaware pursuant to the following resolution of the Board of Directors of the Corporation:

> "**Resolved,** that the Amendment No. 1 to the Rights Agreement as submitted be approved and that the President is authorized to execute said Amendment along with such other documents, forms, filings or agreements necessary to carry our the intent of the Amendment and to take such further steps or actions necessary to fulfill the intent of the Amendment."

[signature page follows]

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed and attested to this 27th day of December, 2004.

/s/ M. Farooq Kathwari
M. Farooq Kathwari
President

Attest:

/s/ Pamela A. Banks
Pamela A. Banks
Secretary

AMENDMENT NO. 1
to
RIGHTS AGREEMENT

Amendment No. 1 (the "Amendment") dated as of December 23, 2004 among Ethan Allen Interiors Inc. (the "Company"), Harris Trust and Savings Bank, (the "Harris"), and Computershare Investor Services, LLC ("Computershare"), to the Rights Agreement dated as of June 26, 1996 (the "Rights Agreement") between the Company and Harris.

W I T N E S S E T H:

WHEREAS, the Company and the Harris are parties to the Rights Agreement; where Harris was appointed Rights Agent (as defined in the Rights Agreement); and

WHEREAS, the Company wishes to appoint Computershare as successor Rights Agent under the Rights Agreement; and

WHEREAS, the parties desire to amend the Rights Agreement to extend the term of the Rights (as defined in the Rights Agreement) in accordance with the Rights Agreement and amend certain other provisions of the Rights Agreement;

NOW, THEREFORE, for consideration set forth herein and in the Rights Agreement, the sufficiency and receipt of which is hereby acknowledged, and intending to be legally bound, the Company, Harris and Computershare agree as follows:

1. Definitions. Except as set forth below, all capitalized terms used in this Amendment shall have their respective meanings set forth in the Rights Agreement.

2. Amendment to Section 7(a). Section 7(a) of the Rights Agreement is hereby amended to replace the phrase "May 31, 2006 ("Final Expiration Date")" with the phrase "May 31, 2011 ("Final Expiration Date")".

3. Amendment to Section 3(d). The legend set forth in Section 3(d) of the Rights Agreement is hereby amended to read in its entirety as follows:

> This certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Rights Agreement between Ethan Allen Interiors Inc. and Computershare Investor Services, LLC, as Rights Agent, dated as of June 26, 1996 (as amended from time to time in accordance therewith, the "Rights Agreement"), the terms of which are incorporated herein by reference and a copy of which is on file at the principal executive office of Ethan Allen Interiors Inc. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by

separate certificates and will no longer be evidenced by this certificate. Ethan Allen Interiors Inc. will mail to the holder of this certificate a copy of the Rights Agreement without charge within five days after receipt by it of a written request therefor. Rights issued to or beneficially owned by a Person who is or becomes an Acquiring Person or an Associate or Affiliate of such Acquiring Person (as such terms are defined in the Rights Agreement) or, under certain circumstances, transferees thereof, will become null and void as provided in Section 11(a)(ii) of the Rights Agreement and thereafter may not be transferred to any Person.

4. Amendment to Section 21. The sixth sentence of Section 21 (page 68) shall be amended to read in it entirety as follows: "Any successor Rights Agent, whether appointed by the Company or by such a court, shall be (a) a corporation or limited liability company organized and doing business under the laws of the United States or any State thereof, in good standing, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which at the time of its appointment as Rights Agent has, a combined capital and surplus of at least $35,000,000 or (b) an Affiliate controlled by a corporation or limited liability company described in clause (a) of this sentence.

5. Amendments to Exhibit B [Form of Right Certificate]. Exhibit B to the Rights Agreement [Form of Right Certificate] is hereby amended as follows:

(a) in the legend appearing above the heading "Right Certificate," the date "May 31, 2006" is hereby replaced with the date "May 31, 2011" and

(b) in the first full paragraph appearing below the heading "Right Certificate," the date "May 31, 2006" is hereby replaced with the date "May 31, 2011".

6. Amendment to Exhibit C [Summary of Rights to Purchase Series C Participating Preferred Stock]. Exhibit C to the Rights Agreement [Summary of Rights to Purchase Series C Participating Preferred Stock] is hereby amended to replace the date "May 31, 2006" in the third full paragraph thereof with the date "May 31, 2011".

7. Amendment to Section 11(a)(ii). Section 11(a)(ii) of the Rights Agreement is hereby amended to replace the reference to "Section 4(b)" in the penultimate sentence thereof with the reference to "Section 3(b)".

8. Termination of Rights Agent. The Company hereby terminates Harris as Rights Agent under the Rights Agreement.

9. Appointment of Successor Rights Agent. The Company hereby appoints Computershare as successor Rights Agent under the Rights Agreement and Computershare hereby accepts such appointment.

10. Substitution. "Computershare Investor Services, LLC" shall be substituted throughout the Rights Agreement, Exhibits and amendments for "Harris Trust and Savings Bank."

11. Notices. Section 25 shall be amended to provide for notices to the Rights Agent as follows:

Computershare Investor Services, LLC
2 North LaSalle Street
Chicago, Illinois 60602
Attention: Dennis Sneyers, Relationship Manager

12. Continuing Force and Effect.

13. Except as expressly provided herein, all of the terms and conditions of the Rights Agreement shall continue in full force and effect.

14. From and after the execution and delivery hereof, all references to the Rights Agreement contained in other agreements or instruments (however the Rights Agreement may be defined in such other agreements or instruments) shall hereafter refer to the Rights Agreement as amended pursuant to this Amendment.

15. Miscellaneous.

16. No waiver, amendment or modification hereof shall be valid unless effected in the manner required by the Rights Agreement.

17. This Amendment shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed entirely within the State of Delaware.

18. This Amendment shall be binding upon, and shall inure to the benefit of, the parties and their respective successors and permitted assigns.

19. This Amendment may be executed in any number of counterparts, each of which shall be deemed to constitute an original, but all of which together shall constitute one and the same instrument.

20. The captions and paragraph headings used in this Amendment have been inserted for convenience of reference only, and shall not affect the construction or interpretation of any provision hereof.

(a) By executing below the parties hereby waive the thirty (30) day prior written notice provided for in Section 21.

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed as of the day and year first above written.

ETHAN ALLEN INTERIORS INC.

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

HARRIS TRUST AND SAVINGS BANK

By: /s/ Martin J. McHale
Name: Martin J. McHale, Jr.
Title: Vice President

COMPUTERSHARE INVESTOR SERVICES, LLC

By: /s/ Cynthia Nisley
Name: Cynthia Nisley
Title: Director, Relationship Management

Exhibit 10(b)

THE ETHAN ALLEN RETIREMENT SAVINGS PLAN

(As Amended and Restated Effective January 1, 2001)

Mayer, Brown & Platt

Chicago

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THE ETHAN ALLEN RETIREMENT SAVINGS PLAN

(As Amended and Restated Effective January 1, 2001)

SECTION 1

General

1.1 History, Purpose and Effective Date. Effective as of September 28, 1958, Ethan Allen Inc. (the “Company”), established the Profit Sharing and Stock Bonus Plan of Ethan Allen Inc. (the “Profit Sharing Plan”) so that it, and each Related Company (as defined in subsection 1.2) which, with the consent of the company, adopted the Profit Sharing Plan could assist their eligible employees in providing for their future security. The Profit Sharing Plan was amended from time to time and was first renamed the Profit Sharing Plan of Ethan Allen Inc. and then the Retirement Program of Ethan Allen Inc. effective as of, respectively, February 26, 1983 and July 1, 1989. Effective June 29, 1989, the Company established a second plan, the Ethan , A11en 401(k) Employee Savings Plan (the”401(k) Plan”). The Profit Sharing Plan and the 401(k) were merged effective as of July 1, 1994 and, effective as of January 1, 1999, the merged plan was renamed “The Ethan Allen Retirement Savings Plan” (the “Plan”). The following provisions constitute an amendment, restatement and continuation of the Plan as in effect immediately prior to January 1, 2001, the “Effective Date” of the Plan as set forth herein. The Plan is intended to qualify as a profit sharing plan under section 401(a) of the Internal Revenue Code of 1986, as amended (the “Code”).

1.2 Related Companies and Employers. The term “Related Company” means any corporation or trade or business during any period during which it is, along with the Company, a member of a controlled group of corporations or a controlled group of trades or businesses, as described in sections 414(b) and 414(c), respectively, of the Code. The Company and each Related Company, which, with the Company’s consent, adopts the Plan are referred to below collectively as the “Employers” and individually as an “Employer”.

1.3 Trust Agreements, Plan Administration. All contributions made under the Plan will continue to be held, managed and controlled by one or more trustees (the “Trustee”) acting under one or more Trusts which form a part of the Plan. The terms of the Trust as in effect on the Effective Date are set forth in one or more Trust Agreements. The authority to control and manage the operation and administration of the Plan is vested in a Committee as described in subsection 12.1. The members of the Committee shall be “named fiduciaries”, as described in section 402 of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), with respect to their authority under the Plan. Except as otherwise expressly provided in the Plan, the Committee shall be the Administrator of the Plan and shall have the rights, duties and obligations of an “administrator” as that term is defined in section3(16)(A) of ERISA and of a “plan administrator” as that term is defined in section 414(g) of the Code.

1.4 Plan Year. The term "Plan Year" means the calendar year.

1.5 Accounting Dates. The term "Accounting Date" means each business day.

1.6 Applicable Laws. The Plan shall be construed and administered in accordance with the internal laws of the State of Connecticut to the extent that such laws are not preempted by the laws of the United States of America.

1.7 Gender and Number. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

1.8 Notices. Any notice or document required to be tiled with the Committee under the Plan will be properly filed if delivered or mailed by registered mail, postage prepaid, to the Committee, in care of the Company, at its principal executive offices. Any notice required under the Plan may be waived by the person entitled to notice.

1.9 Form and Time of Elections. Unless otherwise specified herein, each election permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification or revocation thereof, shall be in writing filed with the Committee at such times and in such form as the Committee shall require.

1.10 Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

1.11 Action by Employers. Any action required or permitted to be taken by any Employer which is a corporation shall be by resolution of its Board of Directors, by resolution of a duly authorized committee of its Board of Directors, or by a person or persons authorized by the Board of Directors or such committee.

1.12 No Reversion to Employers. No part of the corpus or income of the Trust shall revert to any Employer or be used for, or diverted to, purposes other than for the exclusive benefit of Participants' and other persons entitled to benefits under the Plan, except as specifically provided in the applicable Trust Agreement.

1.13 Plan Supplements. The provisions of the Plan as applied to any Employer or any group of employees of any Employer may, with the consent of the Company, be modified or supplemented from time to time by the adoption of one or more Supplements. Each Supplement shall form a part of the Plan as of the Supplement's effective date. In the event of any inconsistency between a Supplement and the Plan document, the terms of the Supplement shall govern.

1.4 Defined Terms. Terms used frequently with the same meaning are indicated by initial capital letters, and are defined throughout the Plan. Appendix A contains an alphabetical listing of such terms and the subsections in which they are defined.

SECTION 2

Participation in Plan

2.1 Eligibility for Participation. Subject to the conditions and limitations of the Plan, each individual who was a Participant in the Plan immediately prior to January 1, 2001 will continue to be a Participant in the Plan on and after that date and effective January 1, 2001 each employee of an Employer who was not a Participant in the Plan immediately prior to such date will become a "Participant" in the Plan on such date or on the first day of any subsequent April, July, October or January coincident with or next following the three-month anniversary of his date of hire (an "Entry Date") if he then meets the following requirements:

(a) he has completed at least three months of Service (as defined in Section 3) since his date of hire; and

(b) he is not a member of a collective bargaining unit as to which retirement benefits have been the subject of good faith bargaining unless the Plan has been extended to the collective bargaining unit under a currently effective collective bargaining agreement; and

(c) he is not a nonresident alien and he receives earned income (within the meaning of section 911(d)(2) of the Code) from an Employer which constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the Code).

Notwithstanding the foregoing provisions of this subsection:

(1) if an individual is reemployed by an Employer on or after the first day of the calendar quarter coincident with or next following the date on which he first meets the requirements of paragraph (a) next above, he shall become a Participant in the Plan immediately upon meeting the requirements of paragraphs (b) and (c) next above; and

(2) any person who otherwise satisfies the foregoing requirements of this subsection 2.1 (other than the requirements of paragraph (a) next above) and who, as of the date of the Company's acquisition of the facility at Dublin, Virginia in October, 2000, was employed at such facility, shall be eligible to become a Participant in the Plan as of the Entry Date occurring on January 1, 2001 without regard to the provisions of paragraph (a) next above.

Except as otherwise specifically provided in Section 2.4, no benefits shall be provided or service credited under the Plan on a retroactive basis to any person who has performed services for an Employer or Related Company as an independent contractor or as a Leased Employee, even if such person subsequently becomes a common law employee of an Employer or Related Company (or is deemed by a government agency, court or other third party to have been a common law employee of an Employer or Related Company).

2.2 Inactive Participation. Once an eligible employee becomes a Participant in the Plan, he will remain a Participant for all purposes under the Plan, except the contribution provisions of Sections 4 and 5 and the withdrawal and loan provisions of Section 10; as long as he continues to have an Account balance under the Plan.

2.3 Plan Not Contract of Employment. The Plan does not constitute a contract of employment, and participation in the Plan will not give any employee or Participant the right to be retained in the employ of any Employer nor any light or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

2.4 Leased Employees. If a person satisfies the requirements of section 414(n) of the Code and applicable Treasury regulations for treatment as a "Leased Employee", such Leased Employee shall not be eligible to participate in this Plan or in any other plan maintained by an Employer or a Related Company which is qualified under section 401(a) of the Code, but, to the extent required by section 414(n) of the Code and applicable Treasury regulations, such person shall be treated as if the services performed by him in such capacity were performed by him as an employee of a Related Company which has not adopted the Plan; provided, however, that no such service shall be credited:

(a) for any period during which fewer than 20% of the workforce of the Employers and the Related Companies that is not highly compensated (as defined in section 414(q) of the Code) consists of Leased Employees and the Leased Employee is a participant in a money purchase pension plan maintained by the leasing organization which (i) provides for a nonintegrated employer contribution of at least 10 percent of compensation, (ii) provides for full and immediate vesting, and (iii) covers all employees of the leasing organization (beginning with the date they become employees), other than those employees excluded under section 414(n)(5) of the Code; or

(b) for any other period unless the Leased Employee provides satisfactory evidence to the Employer or Related Company that he meets all of the conditions of this subsection 2.4 and applicable law required for treatment as a Leased Employee.

2.5 Compliance with Veterans' Laws. Notwithstanding any other provision of this Plan to the contrary, for reemployments occurring on or after December 12, 1994, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with section 414(u) of the Code.

SECTION 3

Service

3.1 Service. The term "Service" means, with respect to any employee or Participant, the number of full months elapsed since the first date for which he was paid, or entitled to payment, for the performance of duties for an Employer or a Related Company, subject to the following:

(a) If an employee's or Participant's employment with the Employer and the Related Companies terminates and he incurs a One Year Break in Service (as defined below), he shall not be credited with Service for the period between the date his employment terminates and the date, if any, of his reemployment by an Employer or a Related Company.

(b) The service of each employee of an Employer who performed services for a prior authorized Ethan Allen Dealer shall be taken into account with respect to the employee for purposes of the Plan, up to a maximum of three months of Service.

3.2 One Year Break in Service. Except with respect to an individual whose absence from employment constitutes a Maternity or Paternity Absence (as defused below), the term "One Year Break in Service" means the l2-consecutive-month period commencing on an employee's Termination Date (as defined in subsection 9.2) if he is not paid or entitled to payment for the performance of duties for the Company or a Related Company during that period. With respect to an individual whose absence from employment constitutes a Maternity or Paternity Absence, the term "One Year Break in Service" means the 12-consecutive-month period commencing on the second anniversary of the date such individual's Maternity or Paternity Absence began if he is not paid or entitled to payment for the performance of duties for the Company or a Related Company during that period. The term "Maternity or Paternity Absence" means an employee's absence from work on account of the pregnancy of such individual, the birth of a child of such individual, the placement of a child with such individual in connection with the adoption of a child by such individual, or for purposes of caring for the child by such individual immediately following such birth or placement. The Committee may require the employee to furnish such information as it considers necessary to establish that such individual's absence was a Maternity or Paternity Absence.

SECTION 4

Before-Tax, After-Tax and Rollover Contributions

4.1 Before-Tax Contributions. Subject to the limitations set forth in Section 8, a Participant may elect to have his Eligible Compensation (as defined in subsection 4.6) reduced by one to 100 percent (20 percent for periods prior to January 1, 2002), in whole percent increments, and a corresponding amount contributed on his behalf by his Employer as a "Before-Tax Contribution" to the Plan; provided, however, certain Participants that are so designated by the Committee shall be deemed to have elected to make a Before-Tax Contribution, beginning on the Participant's Entry Date, in an amount equal to two percent of the Participant's Eligible Compensation until the Participant elects to change such deemed election in accordance with subsection 4.4 of the Plan. Notwithstanding the foregoing, a Participant granted a withdrawal on account of Financial Hardship (as defined in subsection 10.2) may be ineligible to elect Before-Tax Contributions for a period of time, as determined by the Committee under reasonable rules and regulations, from one to four calendar quarters beginning with the calendar quarter in which the Financial Hardship withdrawal is made.

4.2 After-Tax Contributions. Subject to the limitations set forth in Section 8, for any Plan Year, a Participant may elect to make "After-Tax Contributions" to the Plan through payroll deduction in an amount that is not less than one percent and not more than 25 percent (in whole percent increments) of his Eligible Compensation; provided, however, that a Participant's combined Before-Tax and After-Tax Contributions may not exceed 25 percent of his Eligible Compensation for the year.

4.3 Payment of Before-Tax and After-Tax Contributions. Before-Tax and After-Tax contributions shall be paid to the Trustee by an Employer on the earliest date on which such contributions can reasonably be segregated from the Employer's general assets, but, on and after February 3, 1997, no later than the 15th business day of the month following the month such amounts would otherwise have been payable to the Participant or such other date permitted by law.

4.4 Variation, Discontinuance and Resumption of Before-Tax or After-Tax Contributions. Subject to such rules as the Committee may establish, a Participant may elect to change his Before-Tax or After-Tax Contribution rate (but not retroactively) or to resume such contributions within the limits specified in subsections 4.1 and 4.2 as of the first day of any month. A Participant may elect to discontinue either or both such contributions as of the first day of any month by giving the Committee written notice. Such cessation shall become effective with the pay period coincident with or next following the date specified in such notice.

4.5 Rollover Contributions. A Participant or employee who meets the requirements of subsection 2.1 of the Plan, other than paragraph (a) thereof, may, in accordance with procedures approved by the Committee, make a Rollover Contribution (as defined below) to the trustee of the Plan. The term "Rollover Contribution" means:

(a) a cash contribution to the Plan by the Participant of amounts distributed from a qualified plan described in section 401(a) of the Code (or distributed from an

individual retirement account and constituting a "rollover contribution" as described in section 408(d)(3) of the Code) and made within 60 days of receipt if such amount; or

(b) a cash payment made to the Plan by another qualified plan described in section 401(a) of the Code as a direct rollover (as contemplated by section 401(a)(31) of the Code) on behalf of and at the direction of the Participant,

provided such distributed or directly rolled over amounts are permitted to be rolled over to a qualified plan under the applicable provisions of the Code as then in effect. In addition, a plan qualified under section 401(a) of the Code and holding amounts for the benefit of a Participant or an employee may, with such individual's consent and the consent of the Committee, transfer such amounts to the Plan, but only if such amounts are not subject to the provisions of section 401(a)(11) or 411(d)(6) of the Code. If an employer who is not otherwise a Participant makes a rollover contribution to the Plan or has amounts transferred to the Plan on his behalf, he shall be treated as a Participant only with respect to the amounts so contributed or transferred until he has met the requirements for Plan participation set forth in subsection 2.1.

4.6 Eligible Compensation. For purposes of the Plan, a Participant's "Eligible Compensation" shall mean his basic salary plus overtime and bonuses for the portion of the Plan Year during which he is eligible to participate in the Plan, determined prior to any election to reduce his Eligible Compensation as described in subsection 4.1 or under a plan defined in section 125 of the Code, provided that a Participant's Eligible Compensation shall not exceed the maximum level permitted for a Plan Year under section 401(a)(17) of the Code, taking into account for purposes of such limitation any proration required under applicable Treasury regulations on account of a short Plan Year.

SECTION 5

Employer Contributions

5.1 Company Profit Sharing Contributions. Subject to the conditions and limitations of Section 8, the Company shall make a "Company Profit Sharing Contribution" for a Plan Year in the amount, if any, determined by the Company in its sole discretion. Any such contribution shall be allocated to Participants Accounts (as defined in subsection 7.1) in accordance with the provisions of subsection 7.3. Each other Employer shall make a Company Profit Sharing Contribution for the same Plan Year on behalf of each Participant entitled to an allocation in accordance with subsection 7.3 in an amount that equals the same percentage of Eligible Compensation as the contribution made by the Company.

5.2 Company Match Contributions. Subject to the conditions and limitations of Section 8, each Employer shall make a "Company Match Contribution" for a Plan Year in the amount, if any, determined by the Company in its sole discretion, on behalf of each Participant employed by such Employer who makes Before-Tax Contributions in such year; provided, however, in no event shall the Company Match Contribution exceed 100 percent of such Participant's Before-Tax Contributions (or such other percentage as determined by the Company) up to a maximum Company Match Contribution of $1,000 per Participant (or such other amount as determined by the Company) per Plan Year.

5.3 Limitations on Amount of Employer Contributions. In no event shall the sum of the Company Profit Sharing Contribution and the Company Match Contribution made by an Employer for any Plan Year exceed the limitations imposed by section 404 of the Code on the maximum amount deductible on account thereof by that Employer for that year.

5.4 Payment of Employer Contributions. Each Employer's Company Profit Sharing and Company Match Contributions under the Plan for any Plan Year shall be paid to the Trustee, without interest, no later than the time prescribed by law for filing the Employer's federal income tax return, including any extensions thereof.

SECTION 6

Investment Elections

6.1 Investment of Contributions. Each Participant may elect to have the Before-Tax, After-Tax, Rollover, Company Match and Company Profit Sharing Contributions made on that Member's behalf (other than Company Profit Sharing Contributions made or invested in Restricted Company Stock (as defined in subsection 6.5)) invested, in whole percent increments, in any one or more of the investment funds which are from time to time selected by the Committee and made available to Participants for investment of their Accounts, including a "Company Stock Fund" which shall be invested solely in the common stock of the Company's parent, Ethan Allen Interiors, Inc. ("Company Stock") and a "Loan Fund" which shall consist only of promissory notes evidencing loans made to Participants in accordance with the provisions of subsection 10.3, provided, however, the Before-Tax Contribution of Participants who are deemed to have elected Before-Tax Contributions under subsection 4.1 of the Plan will be invested in a fund designated by the Committee until the Participant elects otherwise in accordance with subsection 6.3 of the Plan.

6.2 Investment Transfers. Each Participant may elect as of any Accounting Date, according to rules established by the Committee, to have the assets in a particular investment fund transferred, in whole percent increments, to any one or more other investment fund or funds in a manner such that the Participant determines the ultimate percentage of assets to be held by each investment fund.

6.3 Investment Elections. Each Participant may make the elections described in subsection 6.1 or 6.2 by filing an election form with the Committee upon becoming a Participant. Such elections may be changed to be effective each Accounting Date according to rules established by the Committee; provided, that a Participant's investment elections shall apply with respect to both investment of future contributions and the Participant's current Accounts. During any period in which no election has been made, contributions credited to a Participant shall be invested in the investment funds as determined by the Committee.

6.4 Transfer of Assets. The Committee shall direct the Trustee to transfer monies or other property from the appropriate investment fund to the other investment fund as may be necessary to carry out the aggregate transfer transactions after the Committee has caused the necessary entries to be made in the Participants' Accounts in the investment funds and has reconciled offsetting transfer elections, in accordance with uniform rules therefor established by the Committee.

6.5 Restricted Company Stock. A portion of Participants' Company Profit Sharing Contributions Accounts shall be invested by the Trustee in Company Stock ("Restricted Company Stock"). Participants shall not be entitled to make investment elections with respect to the Restricted Company Stock in their Accounts.

SECTION 7

Plan Accounting

7.1 Participants' Accounts. The Committee shall maintain (or cause to be maintained) the following "Accounts" in the name of each Participant:

(a) a "Before-Tax Contributions Account", which shall reflect Before-Tax Contributions, if any, made on his behalf and the income, losses, appreciation and depreciation attributable thereto;

(b) an "After-Tax Contributions Account", which shall reflect After-Tax Contributions, if any, made on his behalf and the income, losses, appreciation and depreciation attributable thereto;

(c) a "Company Match Contributions Account", which shall reflect Company Match Contributions, if any, made on his behalf and the income, losses, appreciation and depreciation attributable thereto;

(d) a "Company Profit Sharing Contributions Account", which shall reflect Company Profit Sharing Contributions, if any, allocated to him in accordance with subsection 7.3, and the income, losses, appreciation and depreciation attributable thereto;

(e) a "Rollover Contributions Account", which shall reflect Rollover Contributions, if any, made by him and the income, losses, appreciation and depreciation attributable thereto;

The Accounts provided for in this subsection shall be for accounting purposes only, and there shall be no segregation of assets within the investment funds among the separate Accounts. Reference to the "balance" in a Participant's Accounts means the aggregate of the balances in the subaccounts maintained in the investment funds attributable to the Accounts.

7.2 Adjustment of Accounts. As of each Accounting Date occurring prior to or coincident with his Distribution Date (as described in subsection 11.1), a Participant's Accounts shall be adjusted in the following manner and order:

(a) first, there shall be charged to the proper subaccount for each Account of each Participant under each of the investment funds all payments, withdrawals, distributions and loans made since the last preceding Accounting Date that have not been charged previously;

(b) next, the balances of the subaccounts of all such Participants under each of the investment funds, other than the Loan Fund, shall be adjusted upward or downward, pro rata, according to the balances so that the total of the balances equals the then Fair Market Value (as defined below) of such investment fund:

(c) next, there shall be allocated and credited to each Participant's Loan Fund subaccounts any loan made to such Participant and any interest which has accrued thereon since the last preceding Accounting Date in accordance with paragraph 10.3(b);

(d) next, there shall be charged to each Participant's Loan Fund subaccounts and credited to the Participant's subaccounts under the other investment funds in accordance with paragraph 10.3(e) any payments of principal and interest received by the Trustee since the last preceding Accounting Date;

(e) finally, there shall be allocated and credited to each Participant's appropriate Account the contributions, if any, that are to be allocated and credited as of that date in accordance with the provisions of subsection 7.3.

The "Fair Market Value" of an investment fund (other than the Loan Fund) as at any date means the then net worth of that investment fund, as determined by the Trustee and, to the extent held under that fund, exclusive of:

(A) Company Profit Sharing and Company Match Contributions, if any, received by the Trustee for the period elapsed since the close of the last preceding Plan Year;

(B) Before-Tax, After-Tax and Rollover Contributions, if any, received by the Trustee for the period elapsed since the last preceding Accounting Date; and

(C) any payments of interest and repayments of principal with respect to any loans under subsection 10.3 received by the Trustee since the last preceding Accounting Date.

7.3 Allocation and Crediting of Contributions. Subject to the provisions of Section 8, contributions shall be allocated among and credited to the Accounts of Participants as follows:

(a) Before-Tax, After-Tax and Rollover Contributions made by or on behalf of a Participant for any calendar quarter shall be credited to that Participant's appropriate Accounts as soon as administratively possible following the day such contributions are received by the Trustee; and

(b) As of the last day of each Plan Year, the Company Profit Sharing Contributions of an Employer for that Plan Year shall be allocated among and credited to the appropriate Accounts of Participants who were employed by the Employer on the last working day of that year (including Participants who were on an authorized leave of absence or layoff on that day), pro rata, according to the Eligible Compensation paid to them by the Employer during that Plan Year; and

(c) As of the last day of each Plan Year, the Company Match Contributions of an Employer for that Plan Year shall be allocated among and credited to the appropriate Accounts of Participants who were employed by the Employer on the

last working day of that year (including Participants who were on an authorized leave of absence or layoff on that day) and Participants who terminated employment with all the Employers and Related Companies during that year before the last working day because of death or Disability (as defined below). Notwithstanding the foregoing, Participants who terminated employment by reason of the Company's closing the location at which the Participants worked shall be credited with Company Match Contributions of their Employer for the Plan Year in which their termination of employment occurred as of the date of such termination of employment.

"Disability" means a Participant's inability to work because of disease or accidental bodily injury, as determined in a uniform and nondiscriminatory manner by the Committee after requiring any medical examinations by a physician or reviewing any medical evidence which the Committee considers necessary, and results in the termination of the Participant's employment. For purposes of this Section 7, Company Profit Sharing and Company Match Contributions for any Plan Year shall be considered to have been made on the last day of that year, regardless of when paid to the Trustee.

7.4 Statement of Accounts. As soon as practicable after the last day of each calendar quarter the Committee shall provide each Participant with a statement of the balance in his Accounts as of that day.

SECTION 8

Limitations on Compensation, Contributions and Allocations

8.1 Reduction of Contribution Rates. To conform the operation of the Plan to sections 401(a)(4), 401(k)(3), 401(m)(2), 402(g) and 415(c) of the Code, the Committee may unilaterally modify or revoke any Before-Tax or After-Tax Contribution election made by a Participant pursuant to subsections 4.1 or 4.2 or may reduce (to zero, if necessary) the level of Company Match Contributions to be made pursuant to subsection 5.2 on behalf of highly compensated Participants.

8.2 Compensation for Limitation/Testing Purposes. The term "Compensation" for purposes of this Section 8 shall mean:

(a) the Participant's wages, salaries, commissions, bonuses and other amounts received during the Plan Year from any Employer or Related Company or Section 415 Affiliate (defined below) for personal services actually rendered, including taxable fringe benefits, nonqualified stock options taxable in the year of grant, amounts taxable under a section 83(b) election and nondeductible moving expenses, but excluding distributions from any deferred compensation plan (qualified or nonqualified), amounts realized from the exercise of (or disposition of stock acquired under) any nonqualified stock option or other benefits given special tax treatment; plus

(b) any elective contributions made on the Participant's behalf for the Plan Year to a plan sponsored by an Employer or a Related Company that are excludable from gross income in accordance with sections 125 or 402 of the Code, plus

(c) for Plan Years beginning on and after January 1, 2001, any elective amounts that are not includible in the gross income of the Participant by reason of section 132(f)(4) of the Code,

up to a maximum limit of $150,000 or such other amount as may be permitted for any Plan Year under section 401(a)(17) of the Code, taking into account for purposes of such limitation any proration of such amount required under applicable Treasury regulations on account of a short Plan Year. The term "Section 415 Affiliate" means any entity that would be a Related Company if the ownership test of sections 414(b) and (c) of the Code were "more than 50%" rather than "at least 80%".

8.3 Limitations on Annual Addition. Notwithstanding any other provisions of the Plan to the contrary, a Participant's Annual Addition (as defined below) for any Plan Year shall not exceed an amount equal to the lesser of:

(a) $30,000 (indexed for cost-of-living adjustments under section 415(d) of the Code); or

(b) 25 percent of the Participant Compensation's for that Plan Year (determined without regard to (i) the limitation under Section 401(a)(l7) of the Code and (ii)

for Plan Years beginning prior to January 1, 1998, paragraph (b) of subsection 8.2), calculated as if each Section 415 Affiliate were a Related Company,

reduced by any Annual Additions for the Participant for the Plan Year under any other defined contribution plan of an Employer or a Related Company or Section 415 Affiliate, provided that, if any other such plan has a similar provision, the reduction shall be pro rata. The term "Annual Addition" means, with respect to any Participant for any Plan Year the sum of all contributions allocated to the Participant's Accounts under the Plan for such year, excluding rollover contributions and Before-Tax Contributions that are distributed as excess deferrals. The term Annual Addition shall also include employer contributions allocated for a Plan Year to any individual medical account (as defined in section 415(1) of the Code) of a Participant under a defined benefit plan and any amount allocated for a Plan Year to the separate account of a Participant for payment of post-retirement medical benefits under a funded welfare benefit plan (as described in section 419(A)(d)(2) of the Code) which is maintained by a Related Company or a Section 415 Affiliate.

8.4 Excess Annual Addition. If, as a result of a reasonable error in estimating a Participant's Compensation, a reasonable error in determining the amount of elective deferrals (as defined in section 402(g)(3) of the Code) or as a result of such other circumstances as the Commissioner of Internal Revenue may determine, a Participant's Annual Additions for a Plan Year would exceed the limitations set forth in subsection 8.3:

(a) The amount of the Participant's After-Tax Contributions which may not be credited to the Participant's accounts because of the foregoing provisions of this Section 8, together with earnings thereon, will be returned to the Participant as soon as practicable. Contributions which are to be returned pursuant to this paragraph (a) shall be returned in the following order: (i) After-Tax Contributions for which no Company Match Contributions were made, and (ii) After-Tax Contributions for which Company Match Contributions were made and any Company Match Contributions related thereto.

(b) The amount of Before-Tax Contributions made on behalf of a Participant which may not be credited to the Participant's Accounts because of the foregoing provisions of this Section 8, together with earnings thereon, will be returned to the Participant as soon as practicable. Contributions which are to be returned pursuant to this paragraph (b) shall be returned in the following order: (i) Before-Tax Contributions for which no Company Match Contributions were made, and (ii) Before-Tax Contributions for which Company Match Contributions were made and any Company Match Contributions related thereto.

(c) The amount of any Company Match Contributions and Company Profit Sharing Contributions that may not be credited to Participants' Accounts for any Plan Year because of the foregoing provisions of this Section 8 will be treated in accordance with Treas. Reg. § 1.415-6(b)(6)(ii).

Amounts returned to a participant or credited to a suspense account in accordance with this subsection 8.4 shall not be considered an Annual Addition for purposes of the Plan.

8.5 Before-Tax Contributions Dollar Limitation. In no event shall the Before-Tax Contributions for a Participant under the Plan (together with elective deferrals under any other cash-or-deferred arrangement maintained by an Employer or a Related Company) for any taxable year exceed the dollar amount permitted under section 402(g) of the Code. If during any taxable year a Participant is also a participant in another cash or deferred arrangement not sponsored by an Employer or a Related Company and if his elective deferrals under such other arrangement together with his Before-Tax Contributions exceed the maximum amount permitted for the Participant for that year under section 402(g) of the Code, the Participant, not later than March 1 following the close of such taxable year, may request the Committee to direct the Trustee to distribute all or a portion of such excess deferrals to him, with the income allocable thereto, determined in accordance with applicable regulations. Any such request shall be in writing and shall include adequate proof of the existence of such excess, as determined by the Committee in its sole discretion, taking into account any Before-Tax Contributions previously distributed to the Participant pursuant to the foregoing provisions of this Section to conform to the limitations of section 401(k) of the Code. If the Committee is so notified, such excess amount shall be distributed to the Participant no later than April 15 following the close of the Participant's taxable year. If the applicable limitation for a Plan Year happens to be exceeded with respect to this Plan alone, or this Plan and another plan or plans of the Employers and Related Companies, the Committee shall direct such excess Before-Tax Contributions (with allocable gains or losses) to be distributed to the Participant as soon as practicable after the Committee is notified of the excess deferrals by the Company, an Employer or the Participant, or otherwise discovers the error (but not later than the April 15 following the close of the Participant's taxable year). The dollar amount of any distribution due pursuant to this subsection 8.5 shall reduced by the dollar amount of any Before-Tax Contributions which are previously distributed to the same Participant pursuant to subsection 8.6; provided, however, that for purposes of subsections 8.3 and 8.7, the correction under this subsection 8.5 shall be deemed to have occurred before the correction under subsection 8.6. Notwithstanding any other provision of the Plan, if any Before-Tax Contributions are returned to a Participant pursuant to this subsection 8.5, the amount of any Company Match Contributions attributable to such returned contributions (and any earnings thereon) shall also be returned to the Participant.

8.6 401(k) Tests. In the event Before-Tax Contributions and, to the extent deemed necessary, Company Match Contributions for any Plan Year do not initially satisfy one of the tests referred to in section 401(k)(3) of the Code, the Committee shall direct the Trustee to distribute to the group of eligible highly compensated employees (as defined below) to whose Accounts excess Before-Tax Contributions were allocated for such year the amount of each such Participant's excess Before-Tax Contributions, determined by reducing the amount of Before-Tax Contributions made on behalf of the highly compensated employees in order of the dollar amount of such contributions, with any gains or losses allocable thereto for the Plan Year, no later than the last day of the following Plan Year. The gain or loss allocable to such excess contributions shall be determined in accordance with any reasonable method adopted by the Committee for that Plan Year that complies with applicable regulations. The amounts to be distributed to any Participant to comply with the limitations of section 401(k) shall be reduced by the amount of any Before-Tax Contributions previously distributed to him for such Plan Year to comply with the limitations of section 402(g) of the Code. Notwithstanding any other provision of the Plan, if any Before-Tax Contributions are returned to Participant pursuant to this subsection 8.6, the amount of any Company Match Contributions attributable to such returned

contributions (and any earnings thereon) shall also be returned to the Participant. Consistent with and subject to the provisions of section 414(q) of the Code, the term "highly compensated employee" for any Plan Year shall include any active employee of an Employer or a Related Company who:

(a) at any time during that Plan Year or the preceding Plan Year was a 5 percent owner of an Employer or a Related Company; or

(b) received Compensation for the preceding Plan Year in excess of $80,000 (indexed for cost-of-living adjustments under section 415(d)of the Code) and was in the top-paid group of employees for such year.

An employee is considered to be in the "top-paid group" of employees for any year if such employee is in the group consisting of the top 20 percent of the active employees of all of the Employers and Related Companies when ranked on the basis of Compensation paid during such year. A former employee (that is, any employee who separated from service or was deemed to have separated prior to the year in question and who performs no services for the Employer and Related Companies during the year) shall be "highly compensated" if he was a highly compensated active employee for either the separation year or any Plan Year ending on or after his 55th birthday.

8.7 Limitation on Company Match and After-Tax Contributions. In the event Company Match Contributions not considered in the testing under section 401(k)(3)of the Code (described in subsection 8.6) and After-Tax Contributions for any Plan Year do not initially satisfy one of the tests referred to in section 401(m)(2) of the Code, the Committee shall direct the Trustee to distribute to the group of highly compensated employees to whose Accounts excess Company Match Contributions and After-Tax Contributions were allocated for such year the amount of such excess aggregate contributions, determined by reducing the amount of such contributions made on behalf of highly compensated participants in order of the dollar amount of such contributions, and any gains or losses attributable thereto, no later than the last day of the following Plan Year. The gain or loss allocable to such excess aggregate contributions shall be determined in accordance with any reasonable method adopted by the Committee for that Plan Year that complies with applicable regulations.

8.8 Treatment of Contributions Which Exceed the Alternative Limitation. If the amount of Before-Tax Contributions and Company Match Contributions considered for that purpose exceeds the alternative limitation of section 401(k) of the Code and the amount of Company Match Contributions not considered in the testing under section 401(k)(3)of the Code and After-Tax Contributions for any Plan year exceeds the alternative limitations 40l(m) of the Code, the amount of such excess aggregate contributions and any income allocable to such contributions, shall be returned to affected Participants no later than the last day of the following Plan Year.

SECTION 9

Vesting and Termination Dates

9.1 Determination of Vested Interest. A Participant who is employed by an Employer on or after July 1, 1996 shall at all times he fully vested and have a nonforfeitable interest in all of his Accounts.

9.2 Termination Date. A Participant's "Termination Date" shall be the date on which his employment with the Employers and the Related Companies terminates for any reason. Notwithstanding the foregoing, a Participant may not commence distribution of his Before-Tax Contributions Account even though his employment with the Employers and Related Companies has terminated unless or until he also has a "separation from service" within the meaning of section 401(k)(2)(B) of the Code or the distribution is otherwise permitted under section 401(k) of the Code. Notwithstanding the foregoing, in the case of an employee or Participant who ceases to perform duties for the Employers and Related Companies on account of layoff, leave of absence or Disability (as defined below), his Termination Date with respect to his vested Company Profit Sharing Contributions Account, the amount of which shall be determined as of June 30, 1994 (but not greater than the amount of such account as of such Termination Date), shall be the earlier of the date on which the employee's or Participant's employment with the Employers and Related Companies terminates or the first anniversary of the date on which the employee or Participant ceases to perform services for the Employers and Related Companies. For purposes of this subsection 9.2, a Participant shall be considered to have a "Disability" if he is unable to perform the job for which he was hired by his Employer or Related Company.

SECTION 10

Loans and Withdrawals of Contributions While Employed

10.1 Withdrawals During Employment. Subject to such rules as the Committee may adopt with respect to the number, timing and amount of withdrawals, a Participant whose Termination Date has not yet occurred may elect to withdraw all or part of his interest in the investment funds (other than the Loan Fund), as provided and in the order set forth below:

(a) up to 100% of the Participant's After-Tax Contributions Account;

(b) up to l00% of the Participant's Rollover Contributions Account;

(c) up to 100% of the Participant's Company Match Contributions Account but only if the withdrawal is after the Participant's attainment of age 59-l/2 or is because of a Financial Hardship (as defined in subsection 10.2);

(d) up to 100% of the Participant's Before-Tax Contributions Account but only if the withdrawal is after the Participant's attainment of age 59-l/2, or up to 100% of the Participant's Before-Tax Contributions and earnings credited thereon before January 1, 1989 but only if the withdrawal is because of a Financial Hardship; and

(e) up to 100% of the Participant's Company Profit Sharing Contributions Account but only if the withdrawal is after the Participant's attainment of age 59-l/2 or is because of a Financial Hardship.

Each withdrawal shall be made in cash as soon as administratively possible after the relevant Accounting Date.

10.2 Financial Hardship. A withdrawal will not be considered to be made on account of "Financial Hardship" unless the following requirements are met:

(a) The withdrawal is requested because of an immediate and heavy financial need of the Participant, and will be so deemed if the Participant represents that the withdrawal is made on account of:

(i) expenses for medical care described in section 213(d) of the Code incurred by the Participant. the Participant's spouse or any dependent of the Participant (as defined in section 152 of the Code) or necessary for such persons to obtain such medical care;

(ii) the purchase (excluding mortgage payments) of a principal residence of the Participant;

(iii) payment of tuition and related educational fees for the next 12 months of post-secondary education for the Participant or the Participant's spouse, children or dependents:

(iv) the need to prevent the eviction of the Participant from the Participant's principal residence or foreclosure on the mortgage of the Participant's principal residence;

(v) such other reasons of general applicability as may be allowable under regulations, rulings or notices issued to the Internal Revenue Service; and

(vi) any other event with respect, to a Participant if the Participant demonstrates to the Committee that such event constitutes an immediate, heavy and unforeseeable financial need of the Participant.

(b) The withdrawal must also be necessary to satisfy the heavy and financial need of the Participant. It will be considered necessary if the Committee determines that the amount of the withdrawal does not exceed the amount required to relieve the financial need (taking into account any applicable income or penalty taxes resulting from the withdrawal) and if the need cannot be satisfied from other resources that are reasonably available to the Participant. In making this determination, the Committee may reasonably rely on the Participant's written representation that the need cannot be relieved:

(i) through reimbursement or compensation by insurance or otherwise;

(ii) by reasonable liquidation of the Participant's assets, to the extent such liquidation would not itself cause an immediate and heavy financial need;

(iii) by cessation of employee contributions to this Plan (or any other plan of the Employer permitting deferral of compensation);

(iv) by borrowing from commercial sources at reasonable commercial rates;

(v) by a loan pursuant to subsection 10.3

(c) The withdrawal must be made pursuant to a written request to the Committee, which request shall include any representation required by this subsection and adequate proof thereof, as determined by the Committee in its sole discretion.

10.3 Loans. Each Participant who is an employee or who otherwise is required to be given the opportunity to borrow under applicable regulations may request a loan from that Participant's Account, and the Committee in its sole discretion may direct the Trustee to make a cash loan to such Participant. The terms of such loan shall be determined in the sole discretion of that Committee, subject to the following conditions:

(a) The term of such loan shall not exceed the earlier of:

(i) five years, or

(ii) except in the case of a Participant who is a "party in interest" with respect to the Plan (as defined in section 3(14)of ERISA), such Participant's Termination Date.

Such five-year limit shall not apply to any portion of such loan used to acquire any dwelling unit which within a reasonable period of time is to be used as the principal residence of such Participant. To the extent that such loan is unpaid at the time a distribution of such Participant's Account becomes payable, such unpaid amount shall he deducted from the amount otherwise payable from that Participant's Account.

(b) Such loan shall bear a reasonable rate of interest.

(c) Only one loan may be outstanding at a time, and the amount of such loan shall not exceed the lesser of:

(i) $50,000, reduced by the excess, if any, of:

(A) the highest outstanding balance of all loans to the Participant from the Plan during the one-year period ending on the day immediately before the date on which the loan is made, over

(B) the outstanding balance of loans from the Plan to the Participant on the date on which such loan is made; or

(ii) one-half of the Participant's Accounts at the time of such loan.

(d) Such loan shall be evidenced by a promissory note which shall constitute a legally binding agreement and shall specify the amount and date of the loan and the repayment schedule. Any loans shall be charged against the Participant's Account and subaccounts in the order prescribed by the Committee.

(e) Payments of principal and interest shall be made by approximately equal payments no less frequently than quarterly on a basis that would permit such loan to be amortized over its term. A prepayment of the entire outstanding principal and interest may be made without penalty. The Committee may require that such loan payments be made by payroll deductions. During any period when payroll deduction is not possible or is not permitted under applicable law, repayment may be made by certified check or money order. Notwithstanding the foregoing, a Participant's repayment obligation may be suspended for any period he is laid off or on an approved leave of absence, up to a maximum of twelve months.

(f) If such Participant defaults in the making of any payments on such loan when due and such default continues, or in the event of such Participant's bankruptcy, impending bankruptcy, insolvency or impending insolvency, such loan shall be deemed to be in default, and the entire balance with accrued interest shall become due and payable. The Trustee may pursue collection of the debt by any means generally available to a creditor where promissory note is in default, or, if the

entire amount due is not paid by such Participant following the default, the Trustee may apply the balance in that Participant's Account in satisfaction of the unpaid principal and accrued interest, but only to the extent the vested portion of such Participant's Account is then distributable. The provisions of this subsection shall be applied in accordance with applicable state and federal law.

(g) appropriate disclosure shall be made pursuant to the Truth in Lending Act to the extent applicable.

(h) Amounts of principal and interest received on a loan shall be credited to such Participant's Account and the outstanding loan balance shall be considered an investment of the assets of such account. Payment of principal and interest shall be credited to the subaccount in the Participant's Account from which the loan originated unless the Committee adopts a rule to the contrary.

(i) A loan application fee and annual loan administrative fees shall be established by the Committee.

(j) The minimum amount of any loan shall be $1,000.

(k) The Committee shall establish uniform procedures for applying for a loan, evaluating loan applications and setting reasonable rates of interest, which shall be communicated to Participants in writing.

(l) If distribution is to be made to a Beneficiary in accordance with subsection 11.2, any outstanding promissory note of the Participant shall be canceled and the unpaid balance of the loan, together with any accrued interest thereon, shall be treated as a distribution to or on behalf of the Participant immediately prior to commencement of distribution to the Beneficiary.

SECTION 11

Distributions

11.1 Distributions to Participants After Termination of Employment. If a Termination Date occurs with respect to a Participant (for a reason other than his death), the vested portions of his Account shall be distributed in accordance with the following provisions of this subsection, subject to the rules of subsection 11.3:

(a) If the value of the vested portion of the Participant's Account does not exceed $5,000, determined as of the Accounting Date coincident with or next preceding his Termination Date, such vested portion (other than any loan balance distributable in accordance with subsection 10.3) shall be distributed to the Participant as soon as practicable after his Termination Date, in a lump sum payment.

(b) If the value of the vested portion of the Participant's Accounts exceeds $5,000, determined as of the Accounting Date coincident with or next preceding his Termination Date, such vested portion (other than any outstanding loan balance distributable in accordance with subsection 10.3) shall be distributed (or shall begin to be distributed) to the Participant on (or as soon as practicable after) the Distribution Date (as defined in paragraph (c) next below) he elects by one of the following methods chosen by the Participant:

(i) by payment in a lump sum, or

(ii) by payment in a series of substantially equal annual or more frequent installments for a period not exceeding 15 years;

provided, however, a Participant may elect a partial distribution of his Accounts at his Termination Date and defer the balance until a later Distribution Date.

(c) The term "Distribution Date" shall mean the Accounting Date as of which a payment in any form is made pursuant to this Section 10, which date shall be no later than the Accounting Date next following the date of the Participant's death.

(d) Distribution may be made before 30 days after the date on which the notice required under Treas. Reg. § 1.411(a)-11(c) is given if the Committee clearly informs the Participant of his right to consider whether to elect the distribution for a period of at least 30 days after receiving the notice and the Participant, after receiving the notice, affirmatively elects the distribution.

(e) If a Participant terminates employment but is reemployed by an Employer or a Related Company before a distribution has been made to the Participant under this subsection, the distribution of the Participant's Account shall not be made and the Participant's Account shall continue to be held in the Trust Fund until the Participant again has a Termination Date.

11.2 Distributions to Beneficiaries. Subject to subsection 11.4, if a Participant dies before the vested portion of his Account has been distributed, such balance (less any outstanding loan balance distributable in accordance with subsection 10.3) shall be distributed as soon as practicable after the Accounting Date coincident with or next following the Participant's death, to his Beneficiary (as defined in subsection 11.4) in a lump sum payment.

11.3 Limits on Commencement and Duration Distributions. The following distribution rules shall be applied in accordance with sections 401(a)(9) and 401(a)(14) of the Code and applicable regulations thereunder, including the minimum distribution incidental benefit requirement of Treas. Reg. §1.401(a)(9)-2, and shall supersede any other provision of the Plan to the contrary:

(a) Unless a Participant elects otherwise, in no event shall distribution commence later than 60 days after the close of the Plan Year in which the latest of the following events occurs: the Participant's attainment of age 65; the 10th anniversary of the date on which the Participant began participating in the Plan; or the Participant's Termination Date.

(b) The Participant's vested Account shall be distributed in a lump sum payment no later than his "Required Beginning Date", that is, April 1 of the calendar year following the later of (i) the calendar year in which the Participant's Termination Date occurs, or (ii) the calendar year in which he attains age 70-1/2; provided, however, that clause (i) shall not apply to any Participant who is a 5 percent owner of an Employer or a Related Company (as defined in section 416 of the Code).

(c) If a Participant dies before distribution of his vested interest in the Plan has been made, distribution of such vested interest to his Beneficiary shall be made by December 31 of the calendar year in which the fifth anniversary of the Participant's death occurs.

(d) Notwithstanding any other provision herein to the contrary, with respect to distributions under the Plan made on or after June 1, 2001 for calendar years beginning on or after January 1, 2001, the Plan will apply the minimum distribution requirements of section 401(a)(0 of the Code in accordance with the regulations under section 401(a)(9) that were proposed on January 17, 2001. This provision shall continue in effect until the last calendar year beginning before the effective date of the final regulations under section 401(a)(9) or such other date as may be published by the Internal Revenue Service.

11.4 Beneficiary Designations. The term "Beneficiary" shall mean the Participant's surviving spouse. However, if the Participant is not married, or if the Participant is married and (i) his spouse consents to the designation of a person other than the spouse, (ii) he is legally separated or he has been abandoned within the meaning (of local law) and he has a court order to such effect, or (iii) it is established to the satisfaction of the Committee that the spouse cannot be located, the term "Beneficiary" shall mean such person or persons as the Participant designates to receive the vested portion of his Account upon his death. Such designation may be made,

revoked or changed (without the consent of any previously-designated Beneficiary except his spouse) only by an instrument signed by the Participant and received by the Committee prior to his death. A spouse's consent to the designation of a Beneficiary other than the spouse shall be in writing, shall acknowledge the effect of such designation, shall be witnessed by a notary public and shall be effective only with respect to such consenting spouse. In default of such designation, or at any time when there is no surviving spouse and no existing Beneficiary designated by the Participant, his Beneficiary shall be the legal representative of his estate. For purposes of the Plan, "spouse" means the person to whom the Participant is legally married at the relevant time.

11.5 Facility of Payment. Notwithstanding the provisions of subsections 1l.1 and 11.2, if, in the Committee's opinion, a Participant or Beneficiary is under a legal disability or is in any way incapacitated so as to be unable to manage his financial affairs, the Committee may direct the Trustee to make payment to a relative or friend of such person for his benefit until claim is made by a conservator or other person legally charged with the care of his person or his estate. Thereafter, any benefits under the Plan to which such Participant or Beneficiary is entitled shall be paid to such conservator or other person legally charged with the care of his person or his estate.

11.6 Interests Not Transferable. The interests of Participants and other persons entitled to benefits under the Plan are not subject to the claims of their creditors and may not be voluntarily or involuntarily assigned, alienated or encumbered, except (i) in the case of qualified domestic relations orders that relate to the provision of child support, alimony or marital rights of a spouse, child or other dependent and which meet such other requirements as may be imposed by section 414(p) of the Code or regulations issued thereunder, (ii) pursuant to a judgment or settlement order issued after August 5, 1997 (against a Participant convicted of a crime involving the misuse of Plan funds or a civil judgment for breach of fiduciary duty) meeting the requirements of section 401(a)(13)(C) of the Code, (ii) in the case of a tax lien obtained by the Internal Revenue Service, or (iv) in the case of a voluntary revocable assignment to an Employer provided that such assignments do not in the aggregate exceed 10 percent of any benefit payment and further provided that such assignments are not made for the purpose of defraying administrative costs of the Plan. Notwithstanding any other provision of the Plan to the contrary, such domestic relations order may permit distribution of the entire portion of the vested Account balance of a Participant awarded to his alternate payee, in a lump sum payment as soon as practicable after the Committee determines that such order is qualified, without regard to whether the Participant would himself be entitled under the terms of the Plan to withdraw or receive a distribution of such vested amount at that time.

11.7 Form of Payment. All distributions under this Section shall be made in cash unless the Participant elects to have the portion of his Accounts invested in the Company Stock Fund distributed in whole shares of Company Stock.

11.8 Absence of Guaranty. None of the Committee, the Trustee, or the Employers in any way guarantee the Trust Fund from loss or depreciation. The Employers do not guarantee any payment to any person. The liability of the Trustee to make any payment is limited to the available assets of the Trust Fund.

11.9 Missing Participants or Beneficiaries. Each Participant and each designated Beneficiary must file with the Committee from time to time in writing his post office address and each change of post office address. Any communication, statement or notice addressed to a Participant or designated Beneficiary at his last post office address filed with the Committee, or, in the case of a Participant, if no address is filed with the Committee, then at his last post office address as shown on the Employers records, will be binding on the Participant and his designated Beneficiary for all purposes of the Plan. None of the Committee, the Employers nor the Trustee will be required to search for or locate a Participant or designated Beneficiary.

11.10 Optional Direct Transfer of Eligible Rollover Distributions If the distributee of any eligible rollover distribution (as defined in section 402 of the Code or related regulations or notices) under the Plan (a) elects to have such distribution paid directly to an eligible retirement plan (as defined in section 401(a)(3l)(D) of the Code), and (b) specifies the eligible retirement plan to which such distribution is to be paid (in such form and at such time as the Committee may prescribe), then such distribution shall be made in the form of a direct trustee-to-trustee transfer to the eligible retirement plan so specified.

SECTION 12

The Committee

12.1 Membership and Authority. The Retirement Committee referred to in subsection 1.3 shall consist of at least one member appointed by the Company. Except as otherwise specifically provided in this Section, in controlling and managing the operation and administration of the Plan, the Committee shall act by a majority of its then members, by meeting or by writing filed without meeting and any decision made by the Committee pursuant to this subsection (or any other provision of the Plan granting it such authority) shall be final. Notwithstanding any other provision of the Plan to the contrary, benefits under the Plan will be paid only if the Committee decides, in its discretion, that the applicant is entitled to such benefits.

12.2 Rights, Powers and Duties. The Committee shall have such authority as may be necessary to discharge its responsibilities under the Plan, including the following discretionary powers, rights and duties (in addition to those vested in it elsewhere in the Plan or Trust):

(a) to adopt such rules of procedure and regulations as, in its opinion, may be necessary for the proper and efficient administration of the Plan and as are consistent with the provisions of the Plan;

(b) to enforce the Plan in accordance with its terms and with such applicable rules and regulations as may be adopted by the Committee;

(c) to conclusively determine all questions arising under the Plan, including the power to determine the eligibility of employees and the rights of Participants and other persons entitled to benefits under the Plan and their respective benefits, and to remedy any ambiguities, inconsistencies or omissions of whatever kind;

(d) to maintain and keep adequate records concerning the Plan and concerning its proceedings and acts in such form and detail as the Committee may decide;

(e) to direct all payments of benefits under the Plan;

(f) to perform the functions of a "plan administrator" as defined in section 414(q) of the Code, for purposes of Section 6 and for purposes of establishing and implementing procedures to determine the qualified status of domestic relations orders (in accordance with requirements of section 414(p) of the Code and to administer distributions under such qualified orders;

(g) to employ agents, attorneys, accountants or other persons (who may also be employed by or represent the Employers) for such purposes as the Committee considers necessary or desirable to discharge its duties; and

(h) to establish a claims procedure in accordance with section 503 of ERISA.

The certificate of a majority of the members of the Committee that the Committee has taken or authorized any action shall be conclusive in favor of any person relying on the certificate.

12.3 Allocation and Delegation of Committee Responsibilities and Powers. In exercising its authority to control and manage the operation and administration of the Plan, the Committee may allocate all or any part of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation and the acceptance thereof by the Committee member or delegate shall be in writing and may be revoked at any time. Any member or delegate exercising Committee responsibilities and powers under this subsection shall periodically report to the Committee on its exercise thereof and the discharge of such responsibilities.

12.4 Uniform Rules. In managing the Plan, the Committee shall uniformly apply rules and regulations adopted by it to all persons similarly situated.

12.5 Information to be Furnished to Committee. The Employers and Related Companies shall furnish the Committee such data and information as may be required for it to discharge its duties. The records of the Employers and Related Companies as to an employee's or Participant's period of employment, termination of employment and the reason therefor, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish to the Committee such evidence, data or information as the Committee considers desirable to carry out the Plan.

12.6 Committee's Decision Final. To the extent permitted by law, any interpretation of the Plan and any decision on any matter within the discretion of the Committee made by the Committee in good faith shall be binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known, and the Committee shall make such adjustment on account thereof as it considers equitable and practicable.

12.7 Exercise of Committee's Duties. Notwithstanding any other provisions of the Plan, the Committee shall discharge its duties hereunder solely in the interests of the Participants and other persons entitled to benefits under the Plan, and

(a) for the exclusive purpose of providing benefits to Participants and other persons entitled to benefits under the Plan; and

(b) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

12.8 Remuneration and Expenses. No remuneration shall be paid from the Plan to any Committee member as such. However, the reasonable expenses (including the fees and expenses of persons employed by it in accordance with paragraph 12.2(g)) of a Committee member incurred in the performance of a Committee function shall be paid from the Trust to the extent not paid by the Employers.

12.9 Indemnification of the Committee. The Committee and the individual members thereof shall be indemnified by the Employers against any and all liabilities, losses, costs and expenses (including legal fees and expenses) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Committee or its members by reason of the performance of a Committee function if the Committee or such members did not act dishonestly or in willful violation of the law or regulation under which such liability, loss, cost or expense arises.

12.10 Resignation or Removal of Committee Member. A Committee member may resign at any time by giving ten days' advance written notice to the Employers, the Trustee and the Chairman or Secretary of the Committee or the Company's Board of Directors. The Company may remove a Committee member by giving advance written notice to him, the Trustee and the other Committee members.

12.11 Appointment of Successor Committee Members. The Company's Board of Directors may fill any vacancy in the membership of the Committee and shall give prompt written notice thereof to the other Committee members, the other Employers and the Trustee. While there is a vacancy in the membership of the Committee, the remaining Committee members shall have the same powers as the full Committee until the vacancy is filled.

SECTION 13

Amendment and Termination

13.1 Amendment. While the Company expects to continue the Plan, it necessarily reserves the right, subject to the provisions of the Trust Agreement, to amend the Plan from time to time, except that no amendment will reduce a Participant's interest in the Plan to less than an amount equal to the amount he would have been entitled to receive if

he had resigned from the employ of the Employers and the Related Companies on the day of the amendment.

13.2 Termination. The Plan will terminate as to all of the Employers on any day specified by the Company if advance written notice of the termination is given to the other Employers. Employees of any Employer shall cease active participation in the Plan (and, to the extent applicable, will be treated as inactive Participants in accordance with subsection 2.2) on the first to occur of the following:

(a) the date on which that Employer, by appropriate action communicated in writing to the Company, ceases to be a contributing Employer to the Plan;

(b) the date that Employer is judicially declared bankrupt or insolvent; or

(c) the dissolution, merger, consolidation or reorganization of that Employer, or the sale by that Employer of all or substantially all of its assets, except that, subject to the provisions of subsection 13.3, with the consent of the Company, in any such event, arrangements may be made whereby the Plan will be continued by any successor to that Employer or any purchaser of all or substantially all of that Employer's assets, in which case the successor or purchaser will be substituted for the Employer under the Plan.

13.3 Merger and Consolidation of the Plan, Transfer of Plan Assets. In the case of any merger or consolidation with, or transfer of assets and liabilities to, any other plan, provision shall be made so that each affected Participant in the Plan on the date thereof (if the Plan, as applied to that Participant, then terminated) would receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately prior to the merger, consolidation or transfer if the Plan, as applied to him, had then terminated.

13.4 Distribution on Termination and Partial Termination. Upon termination or partial termination of the Plan, all benefits under the Plan shall continue to be paid in accordance with Section 11 as such section may be amended from time to time.

SUPPLEMENT A
TO
THE ETHAN ALLEN PROFIT SHARING
AND 401(k) RETIREMENT PLAN

(Top-Heavy Status)

Application

A-l. This Supplement A to The Ethan Allen Profit Sharing and 401(k) Plan (the "Plan") shall be applicable on and after the date on which the Plan becomes Top-Heavy (as described in subsection A-4).

Definitions

A-2. Unless the contest clearly implies or indicates the contrary, a word, term or phrase used or defined in the Plan is similarly used or defined for purposes of this Supplement A.

Affected Participant

A-3. For purposes of this Supplement A, the term "Affected Participant" means each Participant who is employed by an Employer or a Related Company during any Plan Year for which the Plan is Top-Heavy; provided, however, that the term "Affected Participant" shall not include any Participant who is covered by a collective bargaining agreement if retirement benefits were the subject of good faith bargaining between his Employer and his collective bargaining representative.

Top-Heavy

A-4. The Plan shall be "Top-Heavy" for any Plan Year if, as of the Determination Date for that year (as described in paragraph (a) next below), the present value of the benefits attributable to Key Employees (as defined in subsection A-5) under all Aggregation Plans (as defined in subsection A-8) exceeds 60% of the present value of all benefits under such plans. The foregoing determination shall be made in accordance with the provisions of section 416 of the Code. Subject to the preceding sentence:

(a) The Determination Date with respect to any plan for purposes of determining Top-Heavy status for any plan year of that plan shall be the last day of the preceding plan year or, in the case of the first plan year of that plan, the last day of that year. The present value of benefits as of any Determination Date shall be determined as of the accounting date or valuation date coincident with or next preceding the Determination Date. If the plan years of all Aggregation Plans do not coincide, the Top-Heavy status of the Plan on any Determination Date shall be determined by aggregating the present value of Plan benefits on that date with the present value of the benefits under each other Aggregation Plan determined as of the Determination Date

of such other Aggregation Plan which occurs in the same calendar year as the Plan's Determination Date.

(b) Benefits under any plan as of any Determination Date shall include the amount of any distributions from that plan made during the plan year which includes the Determination Date (including distributions under a terminated plan which, if it had not been terminated, would have been required to be included in an aggregation group) or during any of the preceding four plan years, but shall not include any amounts attributable to employee contributions which are deductible under section 219 of the Code, any amounts attributable to employee-initiated rollovers or transfers made after December 31, 1983 from a plan maintained by an unrelated employer, or, in the case of a defined contribution plan, any amounts attributable to contributions made after the Determination Date unless such contributions are required by section 412 of the Code or are made for the plan's first plan year.

(c) Benefits attributable to a participant shall include benefits paid or payable to a beneficiary of the participant, but shall not include benefits paid or payable to any participant who has not performed services for an Employer or Related Company during any of the five plan years ending on the applicable Determination Date; provided, however, that if a participant performs no services for five years and then performs services, the benefits attributable to such participant shall be included.

(d) The accrued benefit of any participant who is a Non-Key Employee with respect to a plan but who was a Key Employee with respect to such plan for any prior plan year shall not be taken into account.

(e) The accrued benefit of a Non-Key Employee shall be determined under the method which is used for accrual purposes for all plans of the Employer and Related Companies; or, if there is not such a method, as if the benefit accrued not more rapidly than the slowest accrual rate permitted under section 411(b)(l)(c) of the Code.

(f) The present value of benefits under all defined benefit plans shall be determined on the basis of a 5% per annum interest factor and the 1971 Group Annuity Mortality Table.

Key Employee

A-5. The term "Key Employee" shall mean any Employee or deceased Employee (including any beneficiary of such Employee) who is a Key Employee within the meaning ascribed to that term by section 416(i) of the Code. Subject to the preceding sentence, the term Key Employee includes any employee or deceased employee (or beneficiary of such deceased employee) who at any time during the plan year which includes the Determination Date or during the preceding plan years was:

(a) an officer of any Employer or Related Company with Compensation (as defined in subsection A-6) in excess of 50% of the amount in effect under section 415(b)(1)(A) of the Code for the calendar year in which that year ends; provided, however, that the maximum number of employees who shall be considered Key Employees under this paragraph (a) shall be the lesser of 50 or 10% of the total number of employees of the Employers and Related Companies disregarding excludable employees under section 414(q)(8) of the Code;

(b) one of the 10 employees owning the largest interests in any Employer or any Related Company (disregarding any ownership interest which is less than l/2 of one percent), excluding any employee for any plan year whose compensation did not exceed the applicable amount in effect under section 415(c)(l)(A) of the Code for the calendar year in which that year ends;

(c) a 5% owner of any Employer or of any Related Company; or

(d) a 1% owner of any Employer or any Related Company having Compensation in excess of $150,000.

Compensation

A-6. The term "Compensation" for purposes of this Supplement A generally means, for any year, compensation within the meaning of section 415(c)(3) of the Code for that year, not exceeding $150,000 or such other amount as may be permitted for any year under section 401(a)(17) of the Code; provided, however, that solely for purposes of determining who is a Key Employee, the term "Compensation" means compensation as defined in section 414(q)(7) of the Code.

Non-Key Employee

4-7. The term "Non-Key Employee" means any employee (or beneficiary of a deceased employee) who is not a Key Employee.

Aggregation Plan

A-8. The term "Aggregation Plan" means the Plan and each other retirement plan (including any terminated plan) maintained by an Employer or Related Company which is qualified under section 401(a) of the Code and which:

(a) during the plan year which includes the applicable Determination Date, or during any of the preceding four plan years, includes a Key Employee as a participant;

(b) during the plan year which includes the applicable Determination Date or, during any of the preceding four plan years, enables the Plan or any plan in which a Key Employee participates to meet the requirements of section 401(a)(4) or 410 of the Code; or

(c) at the election of the Employer, would meet the requirements of sections 401(a)(4) and 410 if it were considered together with the Plan and all other plans described in paragraphs (a) and (b) next above.

Required Aggregation Plan

A-9. The term "Required Aggregation Plan" means a plan described in either paragraph (a) or (b) of subsection A-8.

Permissive Aggregation Plan

A-10. The term "Permissive Aggregation Plan" Aggregation means a plan described in paragraph (c) of subsection A-8.

Minimum Contribution

A-l 1. For any Plan Year during which the Plan is Top-Heavy, the minimum amount of Employer contributions and forfeitures allocated to the Account of each Affected Participant who is employed by an Employer or Related Company on the last day of that year (whether or not he has completed 1,000 Hours of Service during that year) who is a Non-Key Employee and who is not entitled to a minimum benefit for that year under any defined benefit Aggregation Plan which is top-heavy, nor is entitled to a minimum benefit for that year under any other defined contribution Aggregation Plan maintained by the Employer, shall, when expressed as a percentage of the Affected Participant's Compensation, be equal to the lesser of:

(a) 3%; or

(b) the percentage at which Employer contributions (including Employer contributions made pursuant to a cash or deferred arrangement) and Forfeitures are allocated to the Accounts of the Key Employees for whom such percentage is greatest.

For purposes of the preceding sentence, compensation earned while a member of a group of employees to which the Plan has not been extended shall be disregarded Paragraph (b) next above shall not be applicable for any Plan Year if the Plan enables a defined benefit plan described in paragraph A-8(a) or A-8(b) to meet the requirements of section 401(a)(4) or 410 of the Code for that year. Employer contributions for any Plan Year during which the Plan is Top-Heavy shall be allocated first to Non-Key Employees until the requirements of this subsection A-l1 have been met and, to the extent necessary to comply with the provisions of this subsection A-11, additional contributions shall be required of the Employers.

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FIRST AMENDMENT
OF
THE ETHAN ALLEN RETIREMENT SAVINGS PLAN

(As Amended and Restated
Effective as of January 1, 2001)

WHEREAS, Ethan Allen Inc. (the "Company") maintains The Ethan Allen Retirement Savings Plan (the "Plan");

WHEREAS, amendment of the Plan is now considered desirable;

NOW, THEREFORE, by virtue and in exercise of the amending power reserved to the Company under the Plan and pursuant to the authority delegated to the undersigned officer of the Company by a resolution adopted by its Board of Directors, the Plan is hereby amended effective as of January 1, 2002 by substituting the following for subsection 4.5 of the Plan:

"4.5. Rollover Contributions. A Participant or employee who meets the requirements of subsection 2.1 of the Plan, other than paragraph (a) thereof, may, in accordance with procedures approved by the Committee, make a Rollover Contribution (as defined below) to the Trustee of the Plan. The term 'Rollover Contribution' means:

(a) a cash contribution to the Plan by the Participant of amounts distributed from a qualified plan described in section 401(a) of the Code (or distributed from an individual retirement account and constituting a "rollover contribution" as described in section 408(d)(3) of the Code) and made within 60 days of receipt of such amount; or

(b) a payment made to the Plan by another qualified plan described in section 401(a) of the Code as a direct rollover (as contemplated by section 401(a)(31) of the Code) on behalf of and at the direction of the Participant, which payment shall be in cash; provided, however, that to the extent and under such circumstances as approved by the Committee, such payment may be made in assets other than cash, including, but not limited to, promissory notes evidencing outstanding loans to the Participant or employee under the other qualified plan,

provided, in either case, such distributed or directly rolled over amounts are permitted to be rolled over to a qualified plan under the applicable provisions of the Code as then in effect. In addition, a plan qualified under section 401(a) of the Code and holding amounts for the benefit of a Participant or an employee may, with such individual's consent and the consent of the Committee, transfer such amounts to the Plan, but only if such amounts are not subject to the provisions of section 401(a)(11) or 411(d)(6) of the Code. If an employee who is not otherwise a Participant makes a rollover contribution to the Plan or has amounts transferred to the Plan on his behalf, he shall be treated as a Participant only with respect to the amounts so contributed or transferred until he has met the requirements for Plan participation set forth in subsection 2.1."

IN WITNESS WHEREOF, Ethan Allen Inc. has caused this amendment to be signed by it duly authorized officer this 29th day of January, 2002.

ETHAN ALLEN INC.

By: /s/_____
Its: Vice-President, Human Resources

SECOND AMENDMENT
OF
THE ETHAN ALLEN RETIREMENT SAVINGS PLAN

(As Amended and Restated
Effective as of January 1, 2001)

WHEREAS, Ethan Allen Inc. (the "Company") maintains The Ethan Allen Retirement Savings Plan (the "Plan"); and

WHEREAS, amendment of the Plan is now considered desirable;

NOW, THEREFORE, by virtue and in exercise of the amending power reserved to the Company under the Plan and pursuant to the authority delegated to the undersigned officer of the Company by a resolution adopted by its Board of Directors, the Plan is hereby amended effective in the following particulars, all effective as of January 1, 1997 unless otherwise specified:

1. Effective as of January1, 2001, by substituting the following for subsection 1.1 of the Plan:

"1.1. History. Purpose and Effective Date. Effective as of September 28, 1958, Ethan Allen Inc. (the 'Company'), established the Profit Sharing and Stock Bonus Plan of Ethan Allen Inc. (the 'Profit Sharing Plan') so that it, and each Related Company (as defined in subsection 1.2) which, with the consent of the Company, adopted the Profit Sharing Plan could assist their eligible employees in providing for their future security. The Profit Sharing Plan was amended from time to time and was first renamed the Profit Sharing Plan of Ethan Inc. and then the Retirement Program of Ethan Allen Inc. effective as of, respectively, February 28, 1983 and July 1, 1989. Effective June 29, 1989, the Company established a second plan, the Ethan Allen 401(k) Employee Savings Plan (the '401(k) Plan'). The Profit Sharing Plan and the 401(k) were merged effective as of July 1, 1994 and, effective as of January 1, 1999, the merged plan was renamed 'The Ethan Allen Retirement Savings Plan' (the 'Plan'). Effective as of December 31, 2000, the Carriage House 401(k) Plan was merged into the Plan. The following provisions constitute an amendment, restatement and continuation of the Plan as in effect immediately prior to January 1, 2001, the 'Effective Date' of the Plan as set forth herein. The Plan is intended to qualify as a profit sharing plan under section 401(a) of the Internal Revenue Code of 1986, as amended (the 'Code').

2. By substituting the following for subsection 2.4 of the Plan:

"2.4. Leased Employees. If, pursuant to one or more agreements between an Employer or Related Company and one or more leasing organizations (within the meaning of section 414(n) of the Code), a person provides services to the Employer or Related Company, in a capacity other than as an employee, on a substantially full-time basis for a period of at least one year and such services are performed under the primary direction or control of an Employer or Related Company, such person shall be a 'Leased Employee'. Leased Employees shall not be eligible to participate in this Plan or in any other plan maintained by the Employer or Related Company which is qualified under section 401(a) of the Code. A Leased Employee shall be

treated as if the services performed by him in such capacity (including service performed during such initial one-year period) were performed by him as an employee of a Related Company which has not adopted the Plan; provided, however, that no such service shall be credited:

(a) for any period during which fewer than 20% of the workforce of the Employers and the Related Companies that is not Highly Compensated (as defined in section 414(q) of the Code) consists of Leased Employees and the Leased Employee is a Participant in a money purchase pension plan maintained by the leasing organization which (i) provides for a nonintegrated employer contribution of at least 10 percent of compensation, (ii) provides for full and immediate vesting, and (iii) covers all employees of the leasing organization (beginning with the date they become employees), other than those employees excluded under section 414(n)(5) of the Code; or

(b) for any other period unless the Leased Employee provides satisfactory evidence to the Employer or Related Company that he meets all of the conditions of this subsection 2.4 and applicable law required for treatment as a Leased Employee."

3. Effective as of January 1, 2000, by substituting the following for subsection 4.2 of the Plan:

"4.2. After-Tax Contributions. Subject to the limitations set forth in Section 8, for any Plan Year, a Participant may elect to make 'After-Tax Contributions' to the Plan through payroll deduction in an amount that is not less than one percent and not more than 15 percent (in whole percent increments) of his Eligible Compensation; provided, however, that if a Participant's Before-Tax Contributions are equal to or exceed 15 percent of his Eligible Compensation for any Plan Year, the Participant shall not be entitled to make After-Tax Contributions for such Plan Year; and provided further that, in no event shall the sum of a Participant's Before-Tax Contributions and After-Tax Contributions for any Plan Year exceed 15 percent of his Eligible Compensation."

4. Effective as of January 1, 2002, by substituting the following for subsection 4.2 of the Plan:

"4.2. After-Tax Contributions. Subject to the limitations set forth in Section 8, for any Plan Year, a Participant may elect to make 'After-Tax Contributions' to the Plan through payroll deduction in an amount that is not less than one percent and not more than 100 percent (in whole percent increments) of his Eligible Compensation."

5. Effective as of January 1, 2001, by substituting the following for subsection 4.6 of the Plan:

"4.6. Eligible Compensation. For purposes of the Plan, a Participant's 'Eligible Compensation' shall mean his basic salary plus overtime and bonuses for the portion of the Plan Year during which he is eligible to participate in the Plan, determined prior to any election to reduce his Eligible Compensation as described in subsection 4.1 or under a plan defined in section 125 or132(f)(4) of the Code, provided that a Participant's Eligible Compensation shall not exceed the maximum level permitted for a Plan Year under section 40l(a)(17) of the Code,

taking into account for purposes of such limitation any proration required under applicable Treasury regulations on account of a short Plan Year."

6. Effective as of April 1, 2002, by substituting the following for subsection 6.5 of the Plan:

"6.5 Restricted Company Stock. For period prior to April 1, 2002, a portion of Participants' Company Profit Sharing Contributions Accounts shall be invested by the Trustee in Company Stock ('Restricted Company Stock'). Participants shall not be entitled to make investment elections with respect to the Restricted Company Stock in their Accounts. Effective as of April 1, 2002, Restricted Company Stock shall cease to be restricted and Participants shall be entitled to make investment elections with respect to such stock in accordance with the foregoing provisions of this Section 6."

7. Effective as of January 1, 1995, by substituting the following for paragraph (a) of subsection 8.3 of the Plan:

"(a) $30,000 (effective January 1, 1995, indexed for cost-of-living adjustments under section 415(d) of the Code); or"

8. Effective as of January 1, 1996, by substituting the following for the introductory language of subsection 8.4 of the Plan:

"For any Plan Year beginning on or after January 1, 1996, if, as a result of a reasonable error in estimating a Participant's Compensation or a reasonable error in determining the amount of elective deferrals (as defined in section 402(g)(3) of the Code) or as a result of such other circumstances as the Commissioner of Internal Revenue may determine, a Participant's Annual Additions for a Plan Year would exceed the limitations set forth in subsection 8.3:"

9. Effective as of January 1, 1997, by substituting the following for the penultimate sentence of subsection 8.5 of the Plan:

"The dollar amount of any distribution due pursuant to this subsection 8.5 shall reduced by the dollar amount of any Before-Tax Contributions which are previously distributed to the same Participant pursuant to subsection 8.7; provided, however, that for purposes of subsections 8.3 and 8.8, the correction under this subsection 8.5 shall be deemed to have occurred before the correction under subsection 8.7."

10. By redesignating subsection 8.8 of the Plan as subsection 8.10 thereof; and by substituting the following for subsections 8.6 and 8.7 of the Plan respectively:

"8.6 401(k)(3) Tests. The difference between (i) the average of the Deferral Percentages (as defined below) of each eligible employee who is Highly Compensated for the Plan Year (referred to hereinafter as the 'Highly Compensated Group Deferral Percentages'), and (ii) the average of the Deferral Percentages for the Plan Year (the immediately preceding Plan Year for years beginning prior to January 1, 2001) of each eligible employee who was not Highly Compensated for such year (referred to hereinafter as the 'Non-Highly Compensated Group Deferral Percentage') shall satisfy one of the tests set forth in section 401(k)(3)(A)(ii) of the Code. The 'Deferral Percentage' for any eligible employee for a Plan Year shall be

determined by dividing the amount of the Before-Tax Contributions made with respect to the Participant for such year by his Compensation for the year, subject to the following special rules:

(a) the Deferral Percentage of an eligible employee who makes no Before-Tax Contributions for the year shall be counted as zero;

(b) the Deferral Percentage for any eligible employee who is Highly Compensated and who is eligible to make elective deferrals under one or more other plans maintained by an Employer or Related Company for a Plan Year of such other plan that ends with or within the same calendar year as the Plan Year (other than a plan or arrangement subject to mandatory disaggregation under applicable Treasury regulations) shall be determined as if all such elective deferrals were made on his behalf under the Plan;

(c) excess Before-Tax Contributions distributed to a Participant under Subsection 8.5 shall be counted in determining such Participant's Deferral Percentage except in the case of a distribution to a Non-Highly Compensated Participant required to comply with section 401(a)(30) of the Code; and

(c) in the event that this Plan satisfies the requirements of sections 401(k), 401(a)(4), or 410(b) of the Code only if aggregated with one or more other plans having the same Plan Year, or if one or more other plans having the same Plan Year as this Plan satisfy the requirements of such sections of the Code only if aggregated with this Plan, then this subsection 8.6 shall be applied as if all such plans were a single plan.

Application of this subsection 8.6 shall be consistent with the provisions of section 401(k)(3) of the Code, the regulations thereunder and other applicable guidance issued by the Internal Revenue Service. The provisions of this subsection 8.6 shall be deemed to be satisfied for any Plan Year if the requirements of section 401(k)(12) of the Code are satisfied.

8.7. Correction of Section 401(k) Excess. In the event that the Highly Compensated Group Deferral Percentage does not initially satisfy one of the tests referred to in subsection 8.6, the Committee shall direct the Trustee to distribute the Excess Contributions (as defined below), together with the income allocable thereto (determined in accordance with Treas. Reg. § 1.401(k)-l(f)(4) using any reasonable method adopted by the Committee for that Plan Year that complies with applicable regulations), to the appropriate Highly Compensated Participants in accordance with the following provisions of this subsection 8.7.

(a) The 'Excess Contributions' for any Plan Year shall mean the excess of the aggregate amount of Before-Tax Contributions taken into account in computing the Deferral Percentages of Highly Compensated Participants for such year over the maximum amount of Before-Tax Contributions permitted under the test set forth in subsection 8.6, determined by reducing the amount of Before-Tax Contributions made on behalf of Highly Compensated Participants in order of the Deferral Percentages, beginning with the highest of such percentages.

(b) The Excess Contributions to be distributed with respect to any Highly Compensated employee for any Plan Year shall be determined using a leveling

method under which the amount of the elective deferrals of each Highly Compensated Participant is reduced, in a series in the order of the amount of their respective elective deferrals beginning with the highest, to the extent necessary to cause the amount of the Highly Compensated Participant's elective deferrals to equal the amount of the elective deferrals of the Highly Compensated Participant with the next highest amount of elective deferrals or, if less, to cause the Highly Compensated Group Deferral Percentage to satisfy one of the tests referred to in subsection 8.6.

(c) The amount of Excess Contributions to be distributed with respect to any Participant pursuant to this subsection 8.7 for any Plan Year shall be reduced by the amount of any Before-Tax Contributions previously distributed to the Participant for such Plan Year pursuant to subsection 8.5.

(d) Notwithstanding any other provision of the Plan, if any Before-Tax Contributions are returned to a Participant pursuant to this subsection 8.7, the amount of any Company, Matching Contributions attributable to such returned contributions (and any earnings thereon) shall also be returned to the Participant

The Committee shall make any distributions required by this subsection 8.7 after the close of the Plan Year for which the Excess Contributions were made and no later than the close of the Plan Year following the Plan Year for which the Excess Contributions were made. The provisions of this subsection 8.7 shall not apply to any Plan Year for which the requirements of section 401(k)(12) of the Code are satisfied.

8.8. Limitation on Company Match and After-Tax Contributions. For any Plan Year, the difference between (i) the average of the Contribution Percentages (as defined below) of each eligible employee who is Highly Compensated for the Plan Year (referred to hereinafter as the 'Highly Compensated Group Contribution Percentage'), and (ii) the average of the Contribution Percentages for the Plan Year (the immediately preceding Plan Year for years beginning prior to January 1, 200l) of each eligible employee who was not Highly Compensated for such year (referred to hereinafter as the 'Non-Highly Compensated Group Contribution Percentage') shall satisfy one of the tests set forth in section 401(m)(2)(A) of the Code. The 'Contribution Percentage' for any eligible employee for a Plan Year shall be determined by dividing the sum of his After-Tax Contributions and the Company Matching Contributions made for him for the year by his Compensation for the year, subject to the following special rules:

(a) the Contribution Percentage of each eligible employee with respect to whom no After-Tax Contributions and Company Matching Contributions are made for the year shall be counted as zero;

(b) the Contribution Percentage for any eligible employee who is Highly Compensated and who is eligible to participate in one or more other qualified plans maintained by an Employer or Related Company under which after-tax contributions or matching contributions may be made by or for him shall be determined as if all such contributions were made by or for him under the Plan; and

(c) in the event that this Plan satisfies the requirements of sections 401(m), 401(a)(4), or 410(b) of the Code only if aggregated with one or more other plans having the same Plan Year, or if one or more other plans having the same Plan Year as this Plan satisfy the requirements of such sections of the Code only if aggregated with this Plan, then this subsection 8.8 shall be applied as if all such plans were a single plan.

Application of the provisions of this subsection 8.8 shall be consistent with the provisions of section 401(m) of the Code, the regulations thereunder and other applicable guidance issued by the Internal Revenue Service. The provisions of this subsection 8.8 shall be deemed to be satisfied with respect to Company Matching Contributions (and such contributions shall not be taken into account for purposes of applying the foregoing provisions of this subsection 8.8) for any Plan Year if the requirements of section 40l(m)(11) of the Code are satisfied.

8.9. Correction of Section401(m) Excess. In the event that the Highly Compensated Group Contribution Percentage for any Plan Year does not initially satisfy one of the tests referred to in subsection 8.8, the Committee shall direct the Trustee to distribute the Excess Aggregate Contributions (as defined below), together with the income allocable thereto (determined in accordance with Treas. Reg. § 1.401 (m)-1(e)(3) using any reasonable method adopted by the Committee for that Plan Year that complies with applicable regulations), to the appropriate Highly Compensated Participants in accordance with the following provisions of this subsection 8.9.

(a) The Excess Aggregate Contributions' for any Plan Year shall mean the excess of the aggregate amount of After-Tax Contributions and Company Matching Contributions taken into account in computing the Contribution Percentages of Highly Compensated Participants for such year over the maximum amount of After-Tax Contributions and Company Matching Contributions permitted under the test set forth in subsection 8.8, determined by reducing the amount of After-Tax Contributions and Company Matching Contributions made on behalf of Highly Compensated Participants in order of the Contribution Percentages, beginning with the highest of such percentages.

(b) The Excess Aggregate Contributions to be distributed with respect to any Highly Compensated employee for any Plan Year shall be determined using a leveling method under which the amount of the After-Tax Contributions and Company Matching Contributions for each Highly Compensated Participant are reduced, in a series in the order of the amount of the sum of their respective After-Tax Contributions and Company Matching Contributions, beginning with the Participant with the highest contributions, to the extent necessary to cause the amount of the Highly Compensated Participant's After-Tax Contributions and Company Matching Contributions to equal the sum of the After-Tax Contributions and Company Matching Contributions of the Highly Compensated Participant with the next highest amount of After-Tax Contributions and Company Matching Contributions, or, if less, to cause the Highly Compensated Group Contribution Percentage to satisfy one of the tests referred to in subsection 8.8.

(c) Any distribution required by this subsection 8.9 shall be made first from After-Tax Contributions for which no Company Matching Contributions have been made and then, if necessary, from a proportionate share of After-Tax Contributions and the Company Matching Contributions attributable thereto.

(d) Notwithstanding the foregoing provisions of this subsection 8.9, any Excess Aggregate Contributions that are attributable to Company Matching Contributions (and the income allocable thereto) which are not vested in accordance with Section 9 on the last day of the Plan Year for which such contributions were made shall be forfeited and treated in the same manner as any other forfeiture under the Plan.

The Committee shall make any distribution (or forfeiture) required by this subsection 8.9 after the close of the Plan Year for which the Excess Aggregate Contributions were made and no later than the close of the Plan Year following the Plan Year for which such Excess Aggregate Contributions were made. The provisions of this subsection 8.9 shall be deemed to be satisfied with respect to Company Matching Contributions (and such contributions shall not be taken into account for purposes of applying the foregoing provisions of this subsection 8.9) for any Plan Year if the requirements of section 40l(m)(11) of the Code are satisfied."

11. Effective as of January 1, 1998, by adding the following new subsection to the Plan immediately alter subsection 8.10 thereof:

"8.11 Highly Compensated. For purposes of the Plan, an employee or Participant shall be considered 'Highly Compensated 'for any Plan Year if:

(a) at any time during that Plan Year or the preceding Plan Year, he was a 5 percent owner of an Employer or a Related Company; or

(b) he received Compensation for the preceding Plan Year in excess of $80,000 (indexed for cost-of-living adjustments under section 415(d) of the Code) and was in the top-paid group of employees for such year.

An employee is considered to be in the 'top-paid group' of employees for any year if such employee is in the group consisting of the top 20 percent of the active employees of all of the Employers and Related Companies when ranked on the basis of Compensation paid during such year. A former employee (that is, any employee who separated from service or was deemed to have separated prior to the year in question and who performs no services for the Employer and Related Companies during the year) shall be 'Highly Compensated' if he was a Highly Compensated active employee for either the separation year or any Plan Year ending on or after his 55th birthday."

12. Effective as of January 1, 2000, by rescinding particulars 16 and 17 of the Fourth Amendment of the Plan, as amended and restated effective as of January 1, 1994; and by substituting the following for subsection 11.1 of the Plan:

"11.1 Distributions to Participants After Termination of Employment If a Termination Date occurs with respect to a Participant (for a reason other than his death), the vested portions

of his Account shall be distributed in accordance with the following provisions of this subsection, subject to the rules of subsection 11.3:

(a) If the value of the vested portion of the Participant's Account does not exceed $5,000, determined as of the Accounting Date coincident with or next preceding his Termination Date, such vested portion (other than any loan balance distributable in accordance with subsection 10.3) shall be distributed to the Participant as soon as practicable after his Termination Date, in a lump sum payment.

(b) If the value of the vested portion of the Participant's Accounts exceeds $5,000, determined as of the Accounting Date coincident with or next preceding his Termination Date, such vested portion (other than any outstanding loan balance distributable in accordance with subsection 10.3) shall be distributed (or shall begin to be distributed) to the Participant on (or as soon as practicable after) the Distribution Date (as defined in paragraph (c) next below) he elects by one of the following methods chosen by the Participant:

(i) by payment in a lump sum, or

(ii) by payment in a series of substantially equal annual or more frequent installments for a period not exceeding 15 years;

provided, however, a Participant may elect a partial distribution of his Accounts at his Termination Date and defer the balance until a later Distribution Date.

(c) The term 'Distribution Date' shall mean the Accounting Date as of which a payment in any form is made pursuant to this Section 10, which date shall be no later than the Accounting Date next following the date of the Participant's death.

(d) Distribution may be made before 30 days after the date on which the notice required under Treas. Reg. § 1.411(a)-11(c) is given if the Committee clearly informs the Participant of his right to consider whether to elect the distribution for a period of at least 30 days after receiving the notice and the Participant, after receiving the notice, affirmatively elects the distribution.

(e) If a Participant terminates employment but is reemployed by an Employer or a Related Company before a distribution has been made to the Participant under this subsection, the distribution of the Participant's Account shall not be made and the Participant's Account shall continue to be held in the Trust Fund until the Participant again has a Termination Date."

13. Effective as of January 1, 1999, by substituting the following for subsection 11.10 of the Plan:

"11.10 Optional Direct Transfer of Eligible Rollover Distribution Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this subsection 11.10, a distributee may elect to have any portion of an eligible rollover distribution

paid directly to an eligible retirement plan specified by the distributee in a direct rollover. For purposes of this subsection 11.10, the following definitions shall apply:

(a) An 'eligible rollover distribution' means any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities); and the portion of any hardship distribution described in section 40l(k)(2)(B)(i)(lV) of the Code.

(b) An 'eligible retirement plan' means an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code or a qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible rollover distribution; provided, however, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(c) A 'distributee' means an employee or former employee and the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order as defined in section 414(p) of the Code.

A 'direct rollover to an eligible retirement plan' means a payment by the Plan to the eligible retirement plan specified by the distributee."

14. By making the following modifications to Appendix A of the Plan: by substituting "8.11" for "8.6" as the corresponding subsection for Highly Compensated, by deleting "Highly Compensated Employee" and the corresponding subsection "8.6", and by substituting "8.11" for "8.6" as the corresponding subsection for Top-paid Group.

IN WITNESS WHEREOF, Ethan Allen Inc., has caused this amendment to be signed by its duly authorized officer this 31st day of May, 2002.

ETHAN ALLEN INC.

By /s/ James Kotowski
_____

Its: Director-Retirement Programs

THIRD AMENDMENT
OF
THE ETHAN ALLEN RETIREMENT SAVINGS PLAN

(As Amended and Restated
Effective as of January 1, 2001)

WHEREAS, Ethan Allen Inc. (the "Company") maintains The Ethan Allen Retirement Savings Plan (the "Plan"):

WHEREAS, the Company desires to amend the Plan to comply with changes required and permitted by the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") and to make certain other clarifying changes to the Plan; and

WHEREAS, the amendment to the Plan which is made hereby is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder;

NOW, THEREFORE, the Plan is hereby amended in the following particulars, all effective as of January 1, 2002 unless otherwise specified:

1. By substituting the following for subsection 4.5 of the Plan:

"4.5 Rollover Contributions. A Participant or employee who meets the requirements of subsection 2.1 of the Plan, other than paragraph (a) thereof, may, in accordance with procedures approved by the Committee, make a Rollover Contribution (as defined below) to the Trustee of the Plan. The term 'Rollover Contribution' means:

(a) a cash contribution to the Plan by the Participant of amounts distributed from a qualified plan described in section 401(a) of the Code (or distributed from an individual retirement account and constituting a 'rollover contribution' as described in section 408(d)(3) of the Code) and made within 60 days of receipt of such amount; or

(b) a payment made to the Plan by another qualified plan described in section 401(a) of the Code as a direct rollover (as contemplated by section 401(a)(31) of the Code) on behalf of and at the direction of the Participant, which payment shall be in cash; provided, however, that to the extent and under such circumstances as approved by the Committee, such payment may be made in assets other than cash, including, but not limited to, promissory notes evidencing outstanding loans to the Participant or employee under the other qualified plan.

provided, in either case, such distributed or directly rolled over amounts are permitted to be rolled over to a qualified plan under the applicable provisions of the Code as then in effect. In addition, a plan qualified under section 401(a) of the Code and holding amounts for the benefit of a Participant or an employee may, with such individual's consent and the consent of the

Committee, transfer such amounts to the Plan, but only if such amounts are not subject to the provisions of section 401(a)(11) or 411(d)(6) of the Code. If an employee who is not otherwise a Participant makes a rollover contribution to the Plan or has amounts transferred to the Plan on his behalf, he shall be treated as a Participant only with respect to the amounts so contributed or transferred until he has met the requirements for Plan participation set forth in subsection 2.1."

2. By substituting the following for subsection 7.1 of the Plan:

"7.1. Participants' Accounts. The Committee shall maintain (or cause to be maintained) the following 'Accounts' in the name of each Participant:

(a) a 'Before-Tax Contributions Account', which shall reflect Before-Tax Contributions, if any, made on his behalf and the income, losses, appreciation and depreciation attributable thereto;

(b) an 'After-Tax Contributions Account', which shall reflect After-Tax Contributions, if any, made on his behalf and the income, losses, appreciation and depreciation attributable thereto;

(c) a 'Company Match Contributions Account', which shall reflect Company Match Contributions, if any, made on his behalf and the income, losses, appreciation and depreciation attributable thereto;

(d) a 'Company Profit Sharing Contributions Account', which shall reflect Company Profit Sharing Contributions, if any, allocated to him in accordance with subsection 7.3, and the income, losses, appreciation and depreciation attributable thereto; and

(e) a 'Rollover Contributions Account', which shall reflect Rollover Contributions, if any, made by him, the income, losses, appreciation and depreciation attributable thereto and the portion of any Rollover Contributions which are attributable to after-tax employee contributions.

The Accounts provided for in this subsection shall be for accounting purposes only, and there shall be no segregation of assets within the investment funds among the separate Accounts. Reference to the 'balance' in a Participant's Accounts means the aggregate of the balances in the subaccounts maintained in the investment funds attributable to the Accounts."

3. By substituting the following for subsections 8.2 and 8.3, respectively, of the Plan:

"8.2 Compensation for Limitation/Testing Purposes. The term 'Compensation' for purposes of this Section 8 shall mean:

(a) the Participant's wages, salaries, commissions, bonuses and other amounts received during the Plan Year from any Employer or Related Company or Section 415 Affiliate (defined below) for personal services actually rendered, including

taxable fringe benefits, nonqualified stock options taxable in the year of grant, amounts taxable under a section 83(b) election and nondeductible moving expenses, but excluding distributions from any deferred compensation plan (qualified or nonqualified), amounts realized from the exercise of (or disposition of stock acquired under) any nonqualified stock option or other benefits given special tax treatment; plus

(b) any elective contributions made on the Participant's behalf for the Plan Year to a plan sponsored by an Employer or a Related Company that are excludable from gross income in accordance with sections 125, 402 or 132(f)(4) of the Code,

up to a maximum limit of $200,000 or such other amount as may be permitted for any Plan Year under section 40l(a)(17) of the Code, taking into account for purposes of such limitation any proration of such amount required under applicable Treasury regulations on account of a short Plan Year. The term 'Section 415 Affiliate' means any entity that would be a Related Company if the ownership test of sections 414(b) and (c) of the Code were 'more than 50%' rather than 'at least 80%'.

8.3. Limitations on Annual Addition. Notwithstanding any other provisions of the Plan to the contrary, a Participant's Annual Addition (as defined below) for any Plan Year shall not exceed an amount equal to the lesser of:

(a) $40,000 (as adjusted for each Plan Year to take into account any applicable cost of living adjustment for that year provided by the Secretary of the Treasury under section 415(d) of the Code); or

(b) 100 percent of the Participant's Compensation for that Plan Year (determined without regard to the limitation under Section 40l(a)(l7) of the Code), calculated as if each Section 415 Affiliate were a Related Company,

reduced by any Annual Additions for the Participant for the Plan Year under any other defined contribution plan of an Employer or a Related Company or Section 415 Affiliate, provided that, if any other such plan has a similar provision, the reduction shall be pro rata. The term 'Annual Addition' means, with respect to any Participant for any Plan Year the sum of all contributions allocated to the Participant's Accounts under the Plan for such year, excluding rollover contributions and Before-Tax Contributions that are distributed as excess deferrals. The term Annual Addition shall also include employer contributions allocated for a Plan Year to any individual medical account (as defined in section 415(l)of the Code) of a Participant under a defined benefit plan and any amount allocated for a Plan Year to the separate account of a Participant for payment of post-retirement medical benefits underfunded a welfare benefit plan (as described in section 419(A)(d)(2) of the Code) which is maintained by a Related Company or a Section 415 Affiliate."

4. By adding the following as the last sentence of subsection 8.10 of the Plan:

"The provisions of this subsection 8.10 shall not apply for plan fears beginning after December 5. By substituting the following for subsection 9.2 of the Plan:

5. By substituting the following for subsection 9.2 of the Plan:

"9.2 Termination Date. A Participant's 'Termination Date' shall be the date on which his employment with the Employers and the Related Companies terminates for any reason. Notwithstanding the foregoing, for periods prior to January 1, 2002, a Participant may not commence distribution of his Before-Tax Contributions Account even though his employment with the Employers and Related Companies has terminated unless or until he also has a 'separation from service' within the meaning of section 401(k)(2)(B) of the Code or the distribution is otherwise permitted under section 401(k) of the Code. Effective as of January 1, 2002, the foregoing provisions of this subsection 9.2 requiring that a Participant have a separation from service prior to commencing distribution of his Before-Tax Contributions shall not apply and a Participant shall be entitled to commence distribution upon his severance from employment, subject to other provisions of the Plan governing distributions, other than provisions which require a separation from service before such amounts may be distributed. The preceding sentence shall apply as of January 1, 2002, regardless of whether the Participant's severance from employment occurred before January 1, 2002. In any event, in the case of an employee or Participant who ceases to perform duties for the Employers and Related Companies on account of layoff, leave of absence or Disability (as defined below) his Termination Date with respect to his vested Company Profit Sharing Contributions Account, the amount of which shall be determined as of June 30, 1994 (but not greater than the amount of such account as of such Termination Date), shall be the earlier of the date on which the employee's or Participant's employment with the Employers and Related Companies terminates or the first anniversary of the date on which the employee or Participant ceases to perform services for the Employers and Related Companies. For purposes of this subsection 9.2, a Participant shall be considered to have a 'Disability' if he is unable to perform the job for which he was hired by his Employer or Related Company."

6. By substituting the following for paragraph 11.10(a)of the Plan:

"(a) An 'eligible rollover distribution' means any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: 'any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for, the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; and any distribution to the extent such distribution is required under section 401(a)(9) of the Code. A portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income; provided, however, that such portion may be transferred only to an individual retirement account or annuity described in section

408(a)or (b) of the Code, or to a qualified defined contribution plan described in section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible. A hardship distribution described in section 40l(k)(2)(B)(i)(IV) of the Code shall not constitute an eligible rollover distribution for purposes of the Plan.

7. By adding the following new subsection A-12 to Supplement A of the Plan immediately after Section A-11 thereof:

"Special Rules A-12. This subsection shall apply for purposes of determining whether the Plan is a top-heavy plan under section 416(g)of the Code for Plan Years beginning after December 31, 2001, and whether the Plan satisfies the minimum benefits requirements of section 416(c) of the Code for such years. To the extent applicable, this subsection supersedes the foregoing provisions of this Supplement A.

(a) A 'Key Employee' means any employee or former employee (including any deceased employee) who at any time during the Plan Year that includes the Determination Date was an officer of the Employers and Related Companies having annual compensation greater than $130,000 (as adjusted under section 416(i)(1) of the Code for Plan Years beginning after December 31, 2002), a 5-percent owner of the Employers and Related Companies, or a l-percent owner of the Employer and Related Companies having annual compensation of more than $150,000. For this purpose, annual compensation means compensation within the meaning of section 415(c)(3) of the Code. The determination of who is a Key Employee will bb made in accordance with section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.

(b) The following provisions shall apply for purposes of determining the present values of accrued benefits and the amounts of account balances of employees as of the Determination Date.

(i) The present values of accrued benefits and the amounts of account balances of an employee as of the Determination Date shall be increased by the distributions made with respect to the employee under the Plan and any plan aggregated with the Plan under section 416(g)(2) of the Code during the l-year period ending on the Determination Date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than separation from service, death or disability, this provision shall be applied by substituting '5 year period' for 'l-year period'.

(ii) Accrued benefits and accounts of any individual who has not performed services for the Employers and Related Companies during the 1-year period ending on the Determination Date Shall not be taken into account.

(c) Employer matching contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of section 416(c)(2) of the Code and the Plan. The preceding sentence shall apply with respect to matching contributions under the Plan or, if the Plan provides that the minimum contribution requirement shall be met in another Plan, such other plan. Employer matching contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of section 401(m)of the Code."

IN WITNESS WHEREOF, Ethan Allen Inc. has caused this amendment to be signed by its duly authorized officer this 21st day of November, 2002.

ETHAN ALLEN INC.

By /s/ James Kotowski
_____

Its: Retirement Plan Director

Exhibit 10(b)-4

FOURTH AMENDMENT
OF
THE ETHAN ALLEN RETIREMENT SAVINGS PLAN

(As Amended and Restated
Effective as of January 1, 2001)

WHEREAS, Ethan Allen Inc. (the "Company") maintains The Ethan Allen Retirement Savings Plan (the "Plan"); and

WHEREAS, further amendment of the Plan is now considered desirable;

NOW, THEREFORE, the Plan is hereby amended in the following particulars, all effective as of January 1, 2003 unless otherwise specified:

1. By adding the following new 11.3(e) to the Plan immediately after paragraph 11.3(d) thereof:

(e) For periods on and after January 1, 2003, minimum required distributions under the Plan shall be governed by Supplement B to this Plan."

2. By substituting the following for the title of Supplement A of the Plan:

"SUPPLEMENT A
TO
THE ETHAN ALLEN RETIREMENT SAVINGS PLAN

(Top-Heavy)"

3. By substituting the following for subsection A-l of Supplement A of the Plan:

"Application A-1. This Supplement A to The Ethan Allen Retirement Savings Plan (the "Plan") shall be applicable on and after the date on which the Plan becomes Top-Heavy (as described in subsection A-4)."

4. By adding a new Supplement B to the Plan immediately after Supplement A

"SUPPLEMENT B
TO
THE ETHAN ALLEN RETIREMENT SAVINGS PLAN .

(Required Minimum Distributions After 2002)

Application and Effective Date

B-l. This Supplement B to the Ethan Allen Retirement Savings Plan (the "Plan") shall apply with respect to required minimum distributions for calendar years beginning with the 2003 calendar year.

Definitions

B-2. Unless the context clearly implies or indicates the contrary, a word, term or phrase used or defined in the Plan is similarly used or defined for purposes of this Supplement B.

General Rules

B-3. The following shall apply with respect to this Supplement B:

(a) Precedence. The requirements of this Supplement B will take precedence over any inconsistent provisions of the Plan.

(b) Requirements Treasury of Regulations Incorporated. All distributions required under this Supplement B will be determined and made in accordance with the Treasury regulations under section 401(a)(9) of the Code.

(c) TEFRA Section 242(b)(2) Elections. Notwithstanding the other provisions of this Supplement B, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2)of the Tax Equity and Fiscal Responsibility Act ("TEFRA") and the provisions of the Plan that relate to section 242(b)(2) of TEFRA .

Time and Manner of Distribution

B-4. The following provisions of this Supplement B shall apply with respect to the time and manner of distributions.

(a) Required Beginning Date. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.

(b) Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(i) If the Participant's surviving spouse is the Participant's sole designated beneficiary, then distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained the age of 70½, if later.

(ii) If the Participant's surviving spouse is not the Participant's sole designated beneficiary, then distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(iii) If there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iv) If the Participant's surviving spouse is the Participant's sole designated beneficiary, and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this subsection B-4, other than paragraph B-4(b)(i), will apply as if the surviving spouse were the Participant.

For purposes of this subsection B-4 and subsection B-6, unless paragraph B-4(b)(iv) applies, distributions are considered to begin on the Participant's Required Beginning Date. If paragraph B-4(b)(iv) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under paragraph B-4(b)(i).

(c) Forms of Distribution. Unless the Participant's interest is distributed in a single lump sum on or before the Required Beginning Date, as of the first distribution calendar year distributions will be made in accordance with the subsections B-5 and B-6 of this Supplement B.

Required Minimum Distributions During Participant's Lifetime

B-5. The following rules shall apply under this Supplement B with respect to required minimum distributions during a Participant's lifetime:

(a) Amount of Required Minimum Distribution for Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(i) the quotient obtained by dividing the Participant's Account balance by the distribution period in the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or

(ii) if the Participant's sole designated beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's Account balance by the number in the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the distribution calendar year.

(b) Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this subsection B-5 beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

Required Minimum Distributions After Participant's Death

B-6. The following provisions shall apply with respect to required minimum distributions after a Participant's death:

(a) Death On or After Distributions Begin.

(i) Participant Survived by designated beneficiary. If the Participant dies on or after the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated beneficiary, determined as follows:

(1) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) If the Participant's surviving spouse is the Participant's sole designated beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

(3) If the Participant's surviving is not the Participant's sole designated beneficiary, the designated beneficiary's remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(ii) No designated beneficiary. If the Participant dies on or after the date distributions begin and there is no designated beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(b) Death Before Date Distributions Begin

(i) Participant Survived by designated beneficiary. If the Participant dies before the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the remaining life expectancy of the Participant's designated beneficiary, determined as provided in subsection B-6.

(ii) No designated beneficiary. It the Participant dies before the dare distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iii) Death of Surviving Spouse Before Distributions to Surviving Spouse are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole designated beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under paragraph B-4(b)(i) this paragraph B-6(b) will apply as if the surviving spouse were the Participant.

Special Rule

B-9. If the Participant dies before distributions begin and there is a designated beneficiary, distribution to the designated beneficiary is not required to begin by the date specified in subsection B-4 of this Supplement B, but the Participant's entire interest will be distributed to the designated beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death. If the Participant's surviving spouse is the Participant's sole designated beneficiary and the surviving spouse dies after the Participant but before distributions to either the Participant or the surviving spouse begin, this election will apply as if the surviving spouse were the Participant.

Definitions

B-8. Words and phrases defined in this subsection B-8 of Supplement B to the Plan shall have that meaning when used in this Supplement B, unless the context clearly indicates otherwise.

(a) DESIGNATED BENEFICIARY means the individual who is designated as the beneficiary under subsection 11.4 of the Plan and is the designated beneficiary under section 401(a)(9) of the Code and section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

(b) DISTRIBUTION CALENDAR YEAR means a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under Section 2.2. The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that distribution calendar year.

(c) LIFE EXPECTANCY means life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury regulations.

(d) PARTICIPANT'S ACCOUNT BALANCE means the account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (Valuation Calendar Year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of the dates in the Valuation Calendar Year after the valuation date and decreased by distributions made in the Valuation Calendar Year after the valuation date. The account balance for the Valuation Calendar Year includes any amounts rolled over or transferred to the Plan either in the Valuation Calendar Year or in the distribution calendar year if distributed or transferred in the Valuation Calendar Year."

IN WITNESS WHEREOF, Ethan Allen Inc. has caused this amendment to be signed by its duly authorized officer this 22nd day of December, 2003.

ETHAN ALLEN INC.

By: s/ James P. Kotowski
James P. Kotowski
Its: Director Retirement Programs

FIFTH AMENDMENT
OF
THE ETHAN ALLEN RETIREMENT SAVINGS PLAN

(As Amended and Restated
Effective as of January 1, 2001)

WHEREAS, Ethan Allen Inc. (the "Company") maintains The Ethan Allen Retirement Savings Plan (the "Plan"); and

WHEREAS, it is now desirable to make certain clarifying changes to the Plan;

NOW, THEREFORE, the Plan is hereby amended in the following particulars, all effective as of January 1, 2002 by substituting the following for subsection 4.5 of the Plan:

"4.5. Rollover Contributions. A Participant or employee who meets the requirements of subsection 2.1 of the Plan, other than paragraph (a) thereof, may, in accordance with procedures approved by the Committee, make a Rollover Contribution (as defined below) to the Trustee of the Plan. The term 'Rollover Contribution' means:

(a) a cash contribution to the Plan by the Participant of amounts distributed from an eligible plan (as defined below) or distributed from an individual retirement account and constituting a 'rollover contribution' as described in section 408(d)(3) of the Code and made within 60 days of receipt of such amount; or

(b) a payment made to the Plan by another qualified plan described in section 401(a) of the Code as a direct rollover (as contemplated by section 401(a)(31) of the Code) on behalf of and at the direction of the Participant, which payment shall be in cash; provided, however, that to the extent and under such circumstances as approved by the Committee, such payment may be made in assets other than cash, including, but not limited to, promissory notes evidencing outstanding loans to the Participant or employee under the other qualified plan,

provided, in either case, such distributed or directly rolled over amounts are permitted to be rolled over to a qualified plan under the applicable provisions of the Code as then in effect. For purposes of this subsection 4.5 an 'eligible plan' shall mean a qualified plan described in section 401(a) or 403(a) of the Code, an annuity contract described in section 403(b) of the Code, an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, or an individual retirement account or annuity described in section 408(a) or 408(b) of the Code. The Committee may request from the Participant such documents as it considers necessary or desirable to establish that the Rollover Contribution satisfies the foregoing requirements. In addition, a plan qualified under section 401(a) of the Code and holding amounts for the benefit of a Participant or an employee may, with such individual 's consent and the consent of the Committee, transfer such amounts to the Plan, but only if such amounts are not subject to the provisions of section 401(a)(11) or 411(d)(6) of the Code. If an employee who is

not otherwise a Participant makes a Rollover Contribution to the Plan or has amounts transferred to the Plan on his behalf, he shall be treated as a Participant only with respect to the amounts so contributed or transferred until he has met the requirements for Plan participation set forth in subsection 2.1."

IN WITNESS WHEREOF, Ethan Allen Inc. has caused this amendment to be signed by its duly authorized officer this 7th day of June, 2004.

ETHAN ALLEN INC.

By /s/ _____

Its: Vice President, Human Resources

Exhibit 10(b)-6

SIXTH AMENDMENT
OF
THE ETHAN ALLEN RETIREMENT SAVINGS PLAN

(As Amended and Restated
Effective as of January 1, 2005)

WHEREAS, Ethan Allen Inc. (the "Company") maintains The Ethan Allen Retirement Savings Plan (the "Plan"); and

WHEREAS, it is now desirable to make certain clarifying changes to the Plan;

NOW, THEREFORE, the Plan, is hereby amended in the following particulars, all effective as of November 1, 2004 unless otherwise specified:

1. By substituting the following for subsection 4.4 of the Plan:

"4.4 Variation, Discontinuance and Resumption of Before-Tax or After-Tax Contributions. Subject to such rules as the Committee may establish and the limitations of subsections 4.1 and 4.2, a Participant may elect to have change the rate of his Before-Tax or After-Tax Contributions, suspend either or both such contributions or resume either or both such contributions. Notwithstanding the foregoing provisions of this subsection 4.4, no change to, suspension or resumption of contributions shall be applied retroactively and all changes to elections (including suspensions of contributions) shall be effective as soon as administratively feasible after the date elected by the Participant."

2. By substituting the following for subsection 10.3(e) of the Plan:

"(e) Payments of principal and interest shall be made by approximately equal payments no less frequently than quarterly on a basis that would permit such loan to be amortized over its term. A prepayment of the entire outstanding principal and interest may be made without penalty. The Committee may require that such loan payments be made by payroll deductions. During any period when payroll deduction is not possible or is not permitted under applicable law, repayment may be made by a direct debit from a Participant's savings or checking account. Notwithstanding the foregoing, a Participant's repayment obligation may be suspended for any period he is laid off or on an approved leave of absence, up to a maximum of twelve months."

IN WITNESS WHEREOF, Ethan Allen Inc. has caused this amendment to be signed by its duly authorized officer this 30th day of November, 2004.

ETHAN ALLEN INC.

By: /s/_____
Its: Vice President Human Resources

ETHAN ALLEN INTERIORS INC. HAS CLAIMED CONFIDENTIAL TREATMENT OF PORTIONS OF THIS DOCUMENT IN ACCORDANCE WITH RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934

Exhibit 10(g)

EXECUTION COPY

CREDIT AGREEMENT

dated as of

July 21, 2005

among

ETHAN ALLEN GLOBAL, INC.,
as Borrower

ETHAN ALLEN INTERIORS INC.,

The Lenders Party Hereto

and

JPMORGAN CHASE BANK, N. A.,
as Administrative Agent

J. P. MORGAN SECURITIES INC.,
as Sole Bookrunner and Sole Lead Arranger

CITIZENS BANK OF MASSACHUSETTS
and
WACHOVIA BANK NATIONAL ASSOCIATION
as Co-Syndication Agents

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CREDIT AGREEMENT dated as of July 21, 2005, among ETHAN ALLEN GLOBAL, INC., ETHAN ALLEN INTERIORS INC., the LENDERS party hereto and JPMORGAN CHASE BANK, N. A., as Administrative Agent.

The parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means JPMorgan Chase Bank, N. A., in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus ½ of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments and any Commitment Increases under Section 2.20(b).

"Applicable Rate" means, for any day, with respect to any Eurodollar Revolving Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "Eurodollar Spread" or "Facility Fee Rate", as the case may be, based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt:

Index Debt Ratings	Eurodollar Spread	Facility Fee Rate
Category 1 A3 or A - or higher	0.270%	0.080%
Category 2 Baa1 or BBB+	0.300%	0.100%
Category 3 Baa2 or BBB	0.375%	0.125%
Category 4 Baa3 or BBB-	0.475%	0.150%
Category 5 Lower than Baa3 or BBB-	0.575%	0.175%

For purposes of the foregoing, (i) during the period from the Closing Date through September 30, 2005, so long as Moody's shall not have in effect a rating for the Index Debt, then the Applicable Rate shall be determined based on Category 2, (ii) after the earlier to occur of (A) the rating by Moody's described in clause (i) and (B) September 30, 2005, if either Moody's or S&P shall not have in effect a rating for the Index Debt, then the Applicable Rate shall be determined based on the rating established by the remaining rating agency; (iii) if at any time both Moody's and S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then such rating agency shall be deemed to have established a rating in Category 5; (iv) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Categories, the Applicable Rate shall be based on the higher of the two ratings unless one of the two ratings is two or more Categories lower than the other, in which case the Applicable Rate shall be determined by reference to the Category next below that of the higher of the two ratings; and (v) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency, irrespective of when notice of such change shall have been furnished by the Borrower to the Agent and the Lenders pursuant to Section 5.01 or otherwise. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall

negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"Approved Fund" has the meaning assigned to such term in Section 9.04.

"Assessment Rate" means, for any day, the annual assessment rate in effect on such day that is payable by a member of the Bank Insurance Fund classified as "well-capitalized" and within supervisory subgroup "B" (or a comparable successor risk classification) within the meaning of 12 C. F. R. Part 327 (or any successor provision) to the Federal Deposit Insurance Corporation for insurance by such Corporation of time deposits made in dollars at the offices of such member in the United States; provided that if, as a result of any change in any law, rule or regulation, it is no longer possible to determine the Assessment Rate as aforesaid, then the Assessment Rate shall be such annual rate as shall be determined by the Administrative Agent to be representative of the cost of such insurance to the Lenders.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Augmenting Lender" has the meaning assigned to that term in Section 2.20.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Base CD Rate" means the sum of (a) the Three-Month Secondary CD Rate multiplied by the Statutory Reserve Rate plus (b) the Assessment Rate.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means Ethan Allen Global, Inc., a Delaware corporation.

"Borrowing" means (a) Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, (b) a Competitive Loan or group of Competitive Loans of the same Type made on the same date and as to which a single Interest Period is in effect or (c) a Swingline Loan.

"Borrowing Request" means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

A "Change in Control" shall be deemed to have occurred if (a) Holdings shall cease to own 100% of the capital stock of the Borrower, (b) any Person or group (within the meaning of Rule 13d-5 of the Securities Exchange Act of 1934 as in effect on the date hereof) shall own directly or indirectly, beneficially or of record, shares representing 30% or more of the aggregate ordinary voting power represented by the issued and outstanding capital stock of Holdings; (c) a majority of the seats (other than vacant seats) on the board of directors of Holdings shall at any time have been occupied by persons who were neither (i) nominated by the board of directors of Holdings, nor (ii) appointed by directors so nominated; or (d) any Person or group shall otherwise directly or indirectly Control Holdings.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or an Issuing Bank (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or such Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Charges" has the meaning assigned to that term in Section 9.13.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans, Competitive Loans or Swingline Loans.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment Increase" has the meaning assigned to that term in Section 2.20.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum

aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09, (b) increased from time to time pursuant to Section 2.20 and (c) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is $200,000,000.

"Competitive Bid" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

"Competitive Bid Rate" means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"Competitive Bid Request" means a request by the Borrower for Competitive Bids in accordance with Section 2.04.

"Competitive Loan" means a Loan made pursuant to Section 2.04.

"Consolidated Capital Expenditures" means, for any period, the sum of (a) the aggregate of all expenditures (whether paid in cash or other consideration or accrued as a liability) by the Borrower and its consolidated Subsidiaries during such period that, in conformity with GAAP, should be included in "additions to property, plant or equipment" or comparable items reflected in the consolidated statement of cash flows of the Borrower and its consolidated Subsidiaries; provided that "Consolidated Capital Expenditures" shall not include (i) any of the foregoing expenditures to the extent made with the proceeds from property or casualty insurance or compensation with respect to eminent domain or condemnation proceedings or (ii) any of the foregoing expenditures to the extent constituting an acquisition made in reliance upon clause (b) of Section 6.04; plus (b) the aggregate of all payments of Capital Lease Obligations during such period (except to the extent allocable to interest).

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period, before giving effect to any extraordinary gains or losses or any gains or losses resulting from sales of assets (other than sales of inventory in the ordinary course of business), plus, to the extent deducted in computing such Consolidated Net Income, the sum of (a) income tax expense (whether paid or deferred), (b) Consolidated Interest Expense, (c) depreciation and amortization and (d) any non-cash charges resulting from any restructuring or consolidation of operations or any grant, exercise or cancellation of stock options or warrants.

"Consolidated Fixed Charge Coverage Ratio" means, for any period, the ratio of (a) the sum of (i) Consolidated EBITDA plus (ii) Rental Expense to (b) the sum of (i) Consolidated Interest Expense plus (ii) Rental Expense, in each case for such period.

"Consolidated Interest Expense" means, for any period, the gross consolidated interest expense of the Borrower for such period determined on a consolidated basis in accordance with GAAP, and including, to the extent not otherwise included, Capital Lease Obligations (to the extent allocable to interest) and all commissions, discounts and other fees and charges with respect to letters of credit and bankers' acceptances and the net costs (i.e. costs minus benefits) under interest rate protection agreements and other interest hedging arrangements, but excluding amortization of deferred financing costs to the extent otherwise included.

"Consolidated Net Income" means, for any period, the consolidated net income or loss of the Borrower for such period determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth" means, as of any date of determination, the consolidated stockholders'equity of the Borrower determined on a consolidated basis in accordance with GAAP less the amount of any Indebtedness of Holdings to the Borrower included as an asset of the Borrower in determining such consolidated stockholders' equity.

"Consolidated Total Assets" means, as of any date of determination, the total assets which would properly be classified as consolidated assets of the Borrower and its Subsidiaries at such date in accordance with GAAP.

"Consolidated Total Debt" means, as of any date of determination, all Indebtedness (excluding (a) Guarantees of Indebtedness, to the extent the Guaranteed Indebtedness is already included, (b) Indebtedness of the type described in clause (i) of the definition of the term Indebtedness and (c) to the extent such Indebtedness is contingent in nature, Indebtedness of the type described in clause (j) of the definition of the term Indebtedness) of the Borrower and its consolidated Subsidiaries determined on a consolidated basis in accordance with GAAP.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"dollars" or "$" refers to lawful money of the United States of America.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Environmental Claim" means any written accusation, allegation, notice of violation, claim, demand, order, directive, cost recovery action or other cause of action by, or on behalf of, any Governmental Authority or any Person for damages, injunctive or

equitable relief, personal injury (including sickness, disease or death), Remedial Action costs, tangible or intangible property damage, natural resource damages, nuisance, pollution, any adverse effect on the environment caused by any Hazardous Material, or for fines, penalties or restrictions, resulting from or based upon: (a) the existence, or the continuation of the existence, of a Release (including sudden or non-sudden, accidental or non-accidental Releases); (b) exposure to any Hazardous Material; (c) the presence, use, handling, transportation, storage, treatment or disposal of any Hazardous Material; or (d) the violation or alleged violation of any Environmental Law or Environmental Permit.

"Environmental Law" means any and all applicable present and future treaties, laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices, permits or binding agreements issued, promulgated or entered into by or with any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, Release or threatened Release of any Hazardous Material or to health and safety matters, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq. (collectively "CERCLA"), the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and Hazardous and Solid Amendments of 1984, 42 U.S.C. §§ 6901 et seq., the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq., the Clean Air Act of 1970, as amended 42 U.S.C. §§ 7401et seq., the Toxic Substances Control Act of 1976, 15 U.S.C. §§ 2601 et seq., the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §§ 651 et seq., the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001et seq., the Safe Drinking Water Act of 1974, as amended, 42 U.S.C. §§ 300(f) et seq., the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1801 et seq., and any similar or implementing state or local law, and all amendments or regulations promulgated thereunder.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental investigation or remediation, injunctive or equitable relief, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) a violation or alleged violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the Release, presence or threatened Release of any Hazardous Materials into the environment or within any facility, building or fixture or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Environmental Permit" means any permit, approval, authorization, certificate, license, variance, filing or permission required by or from any Governmental Authority pursuant to any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414 of the Code.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate (or, in the case of a Competitive Loan, the LIBO Rate).

"Event of Default" has the meaning assigned to such term in Article VII.

"Excluded Subsidiary" means, at any time, any Subsidiary of the Borrower identified on Schedule 3.08 as an "Excluded Subsidiary" and that has not ceased to be an "Excluded Subsidiary" as provided below; provided that such Subsidiary (a) does not own assets or properties that, together with the assets and properties owned by all other Subsidiaries that are treated as "Excluded Subsidiaries", have a fair market value, in the aggregate, in excess of $7,500,000, (b) did not, during the period of four consecutive fiscal quarters of the Borrower ended on the most recent date for which quarterly or annual financial statements of Holdings are available, have revenues that, together with the revenues of all other Subsidiaries that are treated as "Excluded Subsidiaries", accounted for more than 3% of the consolidated revenues of the Borrower and its Subsidiaries during such period, and (c) does not have any Indebtedness or any other material liabilities. At any time the Borrower may, and shall if one or more Excluded Subsidiaries fail to satisfy one or more of the conditions described in clauses (a) through (c) above, notify the Administrative Agent that one or more Excluded Subsidiaries shall cease to constitute an "Excluded Subsidiary", whereupon such Subsidiary or Subsidiaries shall cease to constitute an "Excluded Subsidiary" for all purposes hereof. The Borrower may not designate any Subsidiary that is not an Excluded Subsidiary as an Excluded Subsidiary.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, any Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.19(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.17(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.17(a).

"Existing Credit Agreement" means the Credit Agreement dated as of June 30, 2004, among the Borrower, Holdings, the financial institutions from time to time parties thereto, and JPMorgan Chase Bank, N. A., formerly known as JPMorgan Chase Bank, administrative agent.

"Existing Letters of Credif" means any letters of credit issued under the Existing Credit Agreement that are outstanding on the Effective Date.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" of any corporation means the chief financial officer, principal accounting officer, Treasurer or Controller of such corporation, and the Assistant Treasurer and Assistant Controller for the purpose of giving notice pursuant to Sections 2.03, 2.05, 2.06 and 2.11.

"Fixed Rate" means, with respect to any Competitive Loan (other than a Eurodollar Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Fixed Rate Loan" means a Competitive Loan bearing interest at a Fixed Rate.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Subsidiary" means any Subsidiary organized outside of the United States.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person means any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing

any Indebtedness of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment of such Indebtedness or (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness; provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Guarantee Agreement" means the Guarantee Agreement, substantially in the form of Exhibit C, among the Guarantors and the Administrative Agent.

"Guarantors" means Holdings and the Subsidiary Guarantors.

"Hazardous Materials" means all explosive or radioactive substances or wastes, hazardous or toxic substances or wastes, pollutants, solid, liquid or gaseous wastes, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls ("PCBs") or PCB-containing materials or equipment, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Holdings" means Ethan Allen Interiors Inc., a Delaware corporation.

"Increase Effective Date" has the meaning assigned to that term in Section 2.20.

"Increasing Lender" has the meaning assigned to that term in Section 2.20.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person, (e) all obligations of such Person issued or assumed as the deferred purchase price of property or services (excluding trade accounts payable and accrued obligations incurred in the ordinary or customary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations of such Person in respect of Rate Protection Agreements and (j) all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent

such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnity, Subrogation and Contribution Agreement" means the Indemnity, Subrogation and Contribution Agreement, substantially in the form of Exhibit D, among the Borrower, the Subsidiary Guarantors and the Administrative Agent.

"Index Debt" means senior, unsecured, long-term indebtedness for borrowed money of the Borrower that is not guaranteed by any other Person or subject to any other credit enhancement.

"Information Memorandum" means the Confidential Information Memorandum dated June 2005 relating to the Borrower, Holdings and the Transactions.

"Interest Election Request" means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.08.

"Interest Payment Date" means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period, (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Fixed Rate Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing and (d) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

"Interest Period" means (a) with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months (or, with the consent of each Lender, nine or twelve months) thereafter, as the Borrower may elect and (b) with respect to any Fixed Rate Borrowing, the period (which shall not be less than 7 days or more than 365 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request; provided, that if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar Borrowing that

commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Issuer" has the meaning assigned to such term in Section 6.03.

"Issuing Bank" means, as the context may require, (a) JPMorgan Chase Bank, N. A., with respect to Letters of Credit issued by it, (b) any other Lender that becomes an Issuing Bank pursuant to Sections 2.06(j), with respect to Letters of Credit issued by it, and (c) any Person that has issued an Existing Letter of Credit, with respect to such Existing Letter of Credit and, in each case, its successors in such capacity as provided in Section 2.06(i). An Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"LC Disbursement" means a payment made by an Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption or pursuant to Section 2.20, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement. Each Existing Letter of Credit shall be deemed to be a Letter of Credit issued pursuant to this Agreement as of the Effective Date.

"Leverage Ratio" shall mean, on any date, the ratio of (a) Consolidated Total Debt as of such date to (b) Consolidated EBITDA for the most recent period of four fiscal quarters ended prior to such date for which financial statements have been delivered pursuant to Section 5.04(a) or (b), as applicable.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Dow Jones Market Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for

purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11: 00 a. m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11: 00 a. m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" means this Agreement, the Guarantee Agreement and the Indemnity, Subrogation and Contribution Agreement.

"Loan Parties" means the Borrower and the Guarantors.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement, including any Competitive Loans, Revolving Loans and Swingline Loans.

"Margin Stock" has the meaning assigned to such term in Regulation U.

"Margin" means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"Material Adverse Effect" means (a) a materially adverse effect on the business, assets, operations, prospects or condition, financial or otherwise, of Holdings, or the Borrower, or the Borrower and the Subsidiaries taken as a whole, (b) material impairment of the ability of any Loan Party to perform any of its obligations under any Loan Document to which it is or will be a party or (c) material impairment of the rights of or benefits available to the Lenders under any Loan Document.

"Maturity Date" means July 21, 2010.

"Maximum Rate" has the meaning assigned to that term in Section 9.13.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a) (3) of ERISA to which the Borrower or any ERISA Affiliate (other than

one considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414) is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Obligations" means all obligations defined as "Obligations" in the Guarantee Agreement.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement; provided, however, that Other Taxes shall not include Excluded Taxes.

"Participant" has the meaning assigned to such term in Section 9.04.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code that is maintained for current or former employees, or any beneficiary thereof, of the Borrower or any ERISA Affiliate.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N. A. as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Properties" has the meaning assigned to that term in Section 3.17.

"Rate Protection Agreements" means interest rate protection agreements, foreign currency exchange agreements, commodity price protection agreements and other interest or currency exchange rate or commodity price hedging arrangements.

"Register" has the meaning assigned to that term in Section 9.04.

"Regulation T" means Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation U" means Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" means Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, depositing, dispersing, emanating or migrating of any Hazardous Material in, into, onto or through the environment.

"Remedial Action" means (a) "remedial action" as such term is defined in CERCLA, 42 U.S.C. Section 9601(24), or (b) all other actions required by any Governmental Authority or voluntarily undertaken to: (i) cleanup, remove, treat, abate or in any other way address any Hazardous Material in the environment; (ii) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Material so it does not migrate or endanger or threaten to endanger public health, welfare or the environment; or (iii) perform studies and investigations in connection with, or as a precondition to, (i) or (ii) above.

"Rental Expense" means, for any period, all payment obligations of Borrower and its consolidated Subsidiaries accrued during such period under agreements for rent, lease, hire or use of any real or personal property, including obligations in the nature of operating leases but excluding Capital Lease Obligations.

"Reportable Event" means any reportable event as defined in Section 4043(b) of ERISA or the regulations issued thereunder with respect to a Plan (other than a Plan maintained by an ERISA Affiliate that is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414).

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time; provided that, for purposes of declaring the Loans to be due and payable pursuant to Article VII, and for all purposes after the Loans become due and payable pursuant to Article VII or the Commitments expire or terminate, the outstanding Competitive Loans of the Lenders shall be included in their respective Revolving Credit Exposures in determining the Required Lenders.

"Responsible Officer" of any corporation means any executive officer or Financial Officer of such corporation and any other officer or similar official thereof responsible for the administration of the obligations of such corporation in respect of this Agreement.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans and its LC Exposure and Swingline Exposure at such time.

"Revolving Loan" means a Loan made pursuant to Section 2.03.

"S&P" means Standard & Poor's.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject (a) with respect to the Base CD Rate, for new negotiable nonpersonal time deposits in dollars of over $100,000 with maturities approximately equal to three months and (b) with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Borrower.

"Subsidiary Guarantor" means each Subsidiary that is not a Foreign Subsidiary or an Excluded Subsidiary.

"Swingline Exposure" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

"Swingline Lender" means JPMorgan Chase Bank, N.A., in its capacity as lender of Swingline Loans hereunder.

"Swingline Loan" means a Loan made pursuant to Section 2.05.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Three-Month Secondary CD Rate" means, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day is not a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H. 15(519) during the week following such day) or, if such rate is not so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10: 00 a. m., New York City time, on such day (or, if such day is not a Business Day, on the next preceding Business Day) by the Administrative Agent from three negotiable certificate of deposit dealers of recognized standing selected by it.

"Transactions" has the meaning assigned to that term in Section 3.02.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate, the Alternate Base Rate or, in the case of a Competitive Loan or Borrowing, the LIBO Rate or a Fixed Rate.

"Wholly Owned Subsidiary" means a Subsidiary of which securities (except for directors' qualifying shares) or other ownership interests representing 100% of the equity, including 100% of the ordinary voting power, are, at the time any determination is being made, owned by the Borrower, either directly or indirectly through other Subsidiaries that satisfy the requirements of this definition.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein),

(b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property " shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments and Competitive Bids of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.14, (i) each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in

accordance herewith, and (ii) each Competitive Borrowing shall be comprised entirely of Eurodollar Loans or Fixed Rate Loans as the Borrower may request in accordance herewith. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $5,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $5,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Each Competitive Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $5,000,000. Each Swingline Loan shall be in an amount that is an integral multiple of $500,000 and not less than $1,000,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of 10 Eurodollar Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 12: 00 noon, New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11: 00 a. m., New York City time, one Business Day before the date of the proposed Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e) may be given not later than 10: 00 a. m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period" and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. Competitive Bid Procedure. (a) Subject to the terms and conditions set forth herein, from time to time during the Availability Period the Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans; provided that the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans at any time shall not exceed the total Commitments. To request Competitive Bids, the Borrower shall notify the Administrative Agent of such request by telephone, in the case of a Eurodollar Borrowing, not later than 11: 00 a. m., New York City time, four Business Days before the date of the proposed Borrowing and, in the case of a Fixed Rate Borrowing, not later than 10: 00 a. m., New York City time, one Business Day before the date of the proposed Borrowing; provided that the Borrower may submit up to (but not more than) three Competitive Bid Requests on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be a Eurodollar Borrowing or a Fixed Rate Borrowing;

(iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period" and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Each Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in a form approved by the Administrative Agent and must be received by the Administrative Agent by telecopy, in the case of a Eurodollar Competitive Borrowing, not later than 9: 30 a. m., New York City time, three Business Days before the proposed date of such Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 9: 30 a. m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be a minimum of $5,000,000 and an integral multiple of $1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) The Administrative Agent shall promptly notify the Borrower by telecopy of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Subject only to the provisions of this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in a form approved by the Administrative Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Eurodollar Competitive Borrowing, not later than 10: 30 a. m., New York City time, three Business Days before the date of the proposed Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 10: 30 a. m., New York City time, on the proposed date of the Competitive Borrowing; provided that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, the Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a

minimum principal amount of $5,000,000 and an integral multiple of $1,000,000; provided further that if a Competitive Loan must be in an amount less than $5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of $1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of $1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

SECTION 2.05. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding $5,000,000 or (ii) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans exceeding the total Commitments; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 12: 00 noon, New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the appropriate Issuing Bank) by 3: 00 p. m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10: 00 a. m., New York City time, on any Business

Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

SECTION 2.06. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit for its own account, in a form reasonably acceptable to the Administrative Agent and the applicable Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, any Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the applicable Issuing Bank) to the relevant Issuing Bank and the

Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the applicable Issuing Bank, the Borrower also shall submit a letter of credit application on such Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed $100,000,000 and (ii) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans shall not exceed the total Commitments.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the applicable Issuing Bank or the Lenders, the Issuing Bank in respect of such Letter of Credit hereby grants to each Lender, and each Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the applicable Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by such Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If an Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12: 00 noon, New York City time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 10: 00 a. m.,

New York City time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12: 00 noon, New York City time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10: 00 a. m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that, if such LC Disbursement is not less than the applicable minimum borrowing amount set forth in Section 2.02(c), the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.05 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the applicable Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the applicable Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse such Issuing Bank, then to such Lenders and such Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse an Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by an Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor any Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission,

interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of such Issuing Bank; provided that the foregoing shall not be construed to excuse any Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by such Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of an Issuing Bank (as finally determined by a court of competent jurisdiction), such Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, in the absence of gross negligence or wilful misconduct on the part of an Issuing Bank (as finally determined by a court of competent jurisdiction), with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, such Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. An Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. Such Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether such Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse such Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If an Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(d) shall apply. Interest accrued pursuant to this paragraph shall be for the account of such Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse such Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of an Issuing Bank. Any Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall

notify the Lenders of any such replacement of an Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Addition of Issuing Bank. The Borrower may, at any time and from time to time with the consent of the Administrative Agent (which consent shall not be unreasonably withheld) and such Lender, designate one or more additional Lenders to act as an issuing bank under the terms of this Agreement. Any Lender designated as an Issuing Bank pursuant to this paragraph (j) shall be deemed to be an "Issuing Bank" for the purposes of this Agreement (in addition to being a Lender) with respect to Letters of Credit issued by such Lender.

(k) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (g) or (h) of Article VII. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse any Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing greater than 50% of the total LC Exposure), be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an amount of cash collateral

hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived.

(l) Existing Letters of Credit. All Existing Letters of Credit shall be deemed to be Letters of Credit issued under this Agreement as of the Effective Date and shall constitute Letters of Credit for all purposes of the Loan Documents.

SECTION 2.07. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12: 00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; provided that Swingline Loans shall be made as provided in Section 2.05. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in New York City and designated by the Borrower in the applicable Borrowing Request or Competitive Bid Request; provided that ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the applicable Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.08. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans

comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Competitive Borrowings or Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term “Interest Period”.

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month’s duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender’s portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurodollar

Borrowing and (ii) unless repaid, each Eurodollar Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.09. Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of $1,000,000 and not less than $1,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the sum of the Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans would exceed the total Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.10. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date, (ii) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Competitive Loan on the last day of the Interest Period applicable to such Loan and (iii) to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two Business Days after such Swingline Loan is made; provided that on each date that a Revolving Borrowing or Competitive Borrowing is made, the Borrower shall repay all Swingline Loans then outstanding.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the

Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.11. Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section; provided that the Borrower shall not have the right to prepay any Competitive Loan without the prior consent of the Lender thereof.

(b) The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Revolving Borrowing, not later than 11: 00 a. m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11: 00 a. m., New York City time, one Business Day before the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12: 00 noon, New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in

the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

SECTION 2.12. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate used to determine the interest rate applicable to Eurodollar Revolving Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to each Issuing Bank (for its own account) a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the LC Exposure attributable to Letters of Credit issued by such Issuing Bank (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as such Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to an Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) For any day on which the outstanding principal amount of Loans and LC Exposure shall be greater than 50% of the total Commitments, the Borrower shall pay to the Administrative Agent for the account of each Lender a utilization fee equal to 0.125% per annum on the aggregate amount of such Lender's outstanding Loans and LC Exposure on such day. Accrued utilization fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any utilization fees accruing after the date on which the Commitments terminate shall be payable on demand. All utilization fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(d) The Borrower agrees to pay to the Administrative Agent, for its own account, a competitive loan fee for each Competitive Bid Request and an annual administrative fee payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(e) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the applicable Issuing Bank, in the case of fees payable to it) for distribution, in the case of facility fees, participation fees and utilization fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. Interest. (a) The Loans comprising each ABR Borrowing (including each Swingline Loan) shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest (i) in the case of a Eurodollar Revolving Loan, at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate, or (ii) in the case of a Eurodollar Competitive Loan, at the LIBO Rate for the Interest Period in effect for such Borrowing plus (or minus, as applicable) the Margin applicable to such Loan.

(c) Each Fixed Rate Loan shall bear interest at the Fixed Rate applicable to such Loan.

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon

termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(f) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders (or, in the case of a Eurodollar Competitive Loan, the Lender that is required to make such Loan) that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective, (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing and (iii) any request by the Borrower for a Eurodollar Competitive Borrowing shall be ineffective; provided that (A) if the circumstances giving rise to such notice do not affect all the Lenders, then requests by the Borrower for Eurodollar Competitive Borrowings may be made to Lenders that are not affected thereby and (B) if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.15 Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or any Issuing Bank; or

(ii) impose on any Lender or any Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans or Fixed Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or any Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or such Issuing Bank's capital or on the capital of such Lender's or such Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or such Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Bank's policies and the policies of such Lender's or such Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or Issuing Bank or such Lender's or such Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or an Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or an Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such

Lender or Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Change in Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan or Fixed Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan or Fixed Rate Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(b) and is revoked in accordance therewith), (d) the failure to borrow any Competitive Loan after accepting the Competitive Bid to make such Loan, or (e) the assignment of any Eurodollar Loan or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. Taxes. (a) Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional

sums payable under this Section) the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent, each Lender and Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender or such Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder or under any other Loan Document (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or an Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or an Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate.

(f) If the Administrative Agent or a Lender determines that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.17, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.17 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Borrower, upon the request of the Administrative

Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This Section shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) The Borrower shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 12: 00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York or at such other address as directed by the Administrative Agent, except payments to be made directly to an Issuing Bank or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder or under any other Loan Document shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder or under any other Loan Document shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements and

Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or an Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or any Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or each Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b) or 2.18(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.19. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the

future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement (other than any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans (other than Competitive Loans) and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 2.20. Increase in Commitments. (a) The Borrower may, by written notice to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders), request that the total Commitments be increased by an amount not less than $25,000,000 for any such increase; provided that after giving effect to any such increase the sum of the total Commitments shall not exceed $300,000,000 minus any amount by which the Commitments shall have been reduced pursuant to Section 2.09. Such notice shall set forth the amount of the requested increase in the total Commitments and the date on which such increase is requested to become effective (which shall be not less than 10 Business Days or more than 60 days after the date of such notice), and shall offer each Lender the opportunity to increase its Commitment by its Applicable Percentage of the proposed increased amount. Each Lender shall, by notice to the Borrower and the Administrative Agent given not more than 10 days after the date of the Borrower's notice, either agree to increase its Commitment by all or a portion of the offered amount (each Lender so agreeing being an "Increasing Lender") or decline to increase its Commitment (and any Lender that does not deliver such a notice within such period of 10 days shall be deemed to have declined to increase its Commitment). In the event that, on the 10th day after the Borrower shall have delivered a notice pursuant to the first sentence of this paragraph, the Lenders shall have agreed pursuant to the preceding sentence to increase their Commitments by an aggregate amount less than the

increase in the total Commitments requested by the Borrower, the Borrower may arrange for one or more banks or other financial institutions (any such bank or other financial institution referred to in this clause (a) being called an "Augmenting Lender"), which may include any Lender, to extend Commitments or increase their existing Commitments in an aggregate amount equal to the unsubscribed amount; provided that each Augmenting Lender, if not already a Lender hereunder, shall be subject to the approval of the Administrative Agent and each Issuing Bank (which approvals shall not be unreasonably withheld) and the Borrower and each Augmenting Lender shall execute all such documentation as the Administrative Agent shall reasonably specify to evidence its Commitment and/or its status as a Lender hereunder. Any increase in the total Commitments may be made in an amount which is less than the increase requested by the Borrower if the Borrower is unable to arrange for, or chooses not to arrange for, Augmenting Lenders.

(b) On the effective date (the "Increase Effective Date") of any increase in the total Commitments pursuant to this Section 2.20 (the "Commitment Increase"), if any Revolving Loans are outstanding, the Borrower (i) shall prepay all Revolving Loans then outstanding (including all accrued but unpaid interest thereon) and (ii) may, at its option, fund such prepayment by simultaneously borrowing Revolving Loans of the Types and for the Interest Periods specified in a Borrowing Request delivered pursuant to Section 2.03, which Revolving Loans shall be made by the Lenders (including the Increasing Lenders and the Augmenting Lenders, if any) ratably in accordance with their respective Commitments (calculated after giving effect to the Commitment Increase). The payments made pursuant to clause (i) above in respect of each Eurodollar Loan shall be subject to indemnification by the Borrower pursuant to the provisions of Section 2.16 if the Increase Effective Date occurs other than on the last day of the Interest Period relating thereto.

(c) Increases and new Commitments created pursuant to this Section 2.20 shall become effective on the date specified in the notice delivered by the Borrower pursuant to the first sentence of paragraph (a) above; provided that the Borrower may, with the consent of the Administrative Agent (such consent not to be unreasonably withheld), extend such date by up to 30 days by delivering written notice to the Administrative Agent no less than three Business Days prior to the date specified in the notice delivered by the Borrower pursuant to the first sentence of paragraph (a) above.

(d) Notwithstanding the foregoing, no increase in the total Commitments (or in the Commitment of any Lender) or addition of an Augmenting Lender shall become effective under this Section unless, (i) on the date of such increase, the conditions set forth in paragraphs (a) and (b) of Section 4.02 shall be satisfied and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Financial Officer of the Borrower, and (ii) the Administrative Agent shall have received (with sufficient copies for each of the Lenders) documents consistent with those delivered on the Effective Date under clauses (b) and (c) of Section 4.01.

ARTICLE III

Representations and Warranties

Each of Holdings and the Borrower represents and warrants to each of the Lenders that:

SECTION 3.01. Organization; Powers. Each of Holdings and the Borrower and each of the Subsidiaries (other than the Excluded Subsidiaries) (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted, (c) is qualified to do business in every jurisdiction where such qualification is required, except where the failure so to qualify could not reasonably be expected to result in a Material Adverse Effect, and (d) has the corporate power and authority to execute, deliver and perform its obligations under each of the Loan Documents and each other agreement or instrument contemplated thereby to which it is or will be a party and, in the case of the Borrower, to borrow hereunder.

SECTION 3.02. Authorization. The execution, delivery and performance by each Loan Party of each of the Loan Documents to which it is or will be a party and, in the case of the Borrower, the borrowings hereunder (collectively, the "Transactions") (a) have been duly authorized by all requisite corporate and, if required, stockholder action and (b) will not (i) violate (A) any provision of law, statute, rule or regulation, or of the certificate or articles of incorporation or other constitutive documents or by-laws of Holdings, the Borrower or any Subsidiary, (B) any order of any Governmental Authority or (C) any provision of any indenture, agreement or other instrument to which Holdings, the Borrower or any Subsidiary is a party or by which any of them or any of their property is or may be bound, (ii) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under any such indenture, agreement or other instrument, where any such conflict, violation, breach or default referred to in clause (i) or (ii) of this Section 3.02, individually or in the aggregate could reasonably be expected to have a Material Adverse Effect, or (iii) result in the creation or imposition of any Lien upon or with respect to any property or assets now owned or hereafter acquired by Holdings, the Borrower or any Subsidiary.

SECTION 3.03. Enforceability. This Agreement has been duly executed and delivered by Holdings and the Borrower and constitutes, and each other Loan Document when executed and delivered by each Loan Party that is a party thereto will constitute, a legal, valid and binding obligation of Holdings and the Borrower and such Loan Party enforceable against Holdings and the Borrower and such Loan Party in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally and except as enforceability may be limited by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 3.04. Governmental Approvals. No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the Transactions, except for (a) such as have been made or obtained and are in full force and effect and (b) such actions, consents, registrations, filings and approvals the failure to obtain or make which could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.05. Financial Statements. Holdings has heretofore furnished to the Lenders its consolidated and consolidating balance sheet and statement of operations and consolidated statement of cash flows as of and for the fiscal year ended June 30, 2004, which consolidated statements were audited by and accompanied by the opinion of KPMG LLP, independent public accountants, and its unaudited consolidated and consolidating balance sheet and statement of operations and consolidated statement of cash flows as of and for the nine month period ended March 31, 2005. Such financial statements present fairly the financial condition and results of operations and cash flows of Holdings and its consolidated subsidiaries as of such dates and for such periods. Each such balance sheet and the notes thereto disclose all material liabilities, direct or contingent, of Holdings on a consolidated basis as of the date thereof. Such financial statements were prepared in accordance with GAAP applied on a consistent basis.

SECTION 3.06. No Material Adverse Change. As of the Effective Date, there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and the Subsidiaries, taken as a whole, since June 30, 2004.

SECTION 3.07. Title to Properties; Possession Under Leases. (a) Each of Holdings, the Borrower and the Subsidiaries (other than the Excluded Subsidiaries) has good and marketable title to, or valid leasehold interests in, all its material properties and assets, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties and assets for their intended purposes. All such material properties and assets are free and clear of Liens, other than Liens expressly permitted by Section 6.02.

(b) Each of Holdings, the Borrower and the Subsidiaries (other than the Excluded Subsidiaries) has complied with all obligations under all leases to which it is a party as a lessee and all such leases are in full force and effect, except leases in respect of which the failure to be in full force and effect could not reasonably be expected to have a Material Adverse Effect. Each of Holdings, the Borrower and the Subsidiaries (other than the Excluded Subsidiaries) enjoys peaceful and undisturbed possession under all such leases to which it is a party, other than leases which, individually or in the aggregate, are not material to Holdings, the Borrower and the Subsidiaries (other than the Excluded Subsidiaries), taken as a whole, and in respect of which the failure to enjoy peaceful and undisturbed possession could not reasonably be expected to, individually or in the aggregate, result in a Material Adverse Effect.

SECTION 3.08. Subsidiaries. Schedule 3.08 sets forth as of the Effective Date a list of all Subsidiaries of the Borrower and the percentage ownership interest of

the Borrower therein. Each Subsidiary that is an "Excluded Subsidiary" satisfies the conditions set forth in the definition of the term "Excluded Subsidiary".

SECTION 3.09. Litigation; Compliance with Laws. (a) Except as set forth in Schedule 3.09, there are not any actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of Holdings or the Borrower, threatened against or affecting Holdings or the Borrower or any Subsidiary or any business, property or rights of any such Person (i) which involve any Loan Document or the Transactions or (ii) as to which there is a reasonable possibility of an adverse determination and which (A) if adversely determined, would individually result in a loss of greater than $300,000 or (B) if adversely determined (excluding any actions, suits or proceedings at law or in equity or by or before any Governmental Authority that would individually result in a loss of $300,000 or less), in the aggregate could reasonably be expected to result in a Material Adverse Effect.

(b) None of Holdings, the Borrower or any of the Subsidiaries or any of their respective material properties or assets is in violation of, nor will the continued operation of their material properties and assets as currently conducted violate, any law, rule or regulation (including any zoning, building, Environmental Law, ordinance, code or approval or any building permits), or is in default with respect to any judgment, writ, injunction or decree of any Governmental Authority, except any such violations or defaults that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. Agreements. (a) None of Holdings, the Borrower or any of the Subsidiaries is a party to any agreement or instrument or subject to any corporate restriction that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(b) None of Holdings, the Borrower or any of the Subsidiaries is in default in any manner under any provision of any indenture or other agreement or instrument evidencing Indebtedness, or any other material agreement or instrument to which it is a party or by which it or any of its properties or assets are or may be bound, in either case, where such default could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.11. Federal Reserve Regulations. (a) None of Holdings, the Borrower or any of the Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

(b) No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, (i) to purchase or carry Margin Stock or to extend credit to others for the purpose of purchasing or carrying Margin Stock or to refund indebtedness originally incurred for such purpose, or (ii) for any purpose which entails a violation of, or which is inconsistent with, the provisions of the Regulations of the Board, including Regulation T, U or X.

SECTION 3.12. Investment Company Act; Public Utility Holding Company Act. None of Holdings, the Borrower or any Subsidiary is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.13. Use of Proceeds. The Borrower will use the proceeds of the Loans and will request the issuance of Letters of Credit only for the purposes specified in Section 5.08 of this Agreement.

SECTION 3.14. Tax Returns. Each of Holdings, the Borrower and the Subsidiaries has filed or caused to be filed all Federal, and all material state and local tax returns required to have been filed by it and has paid or caused to be paid all taxes shown thereon to be due and payable by it and all material assessments received by it, except for taxes and assessments that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP.

SECTION 3.15. No Material Misstatements. (a) No factual information, including factual information contained in the Information Memorandum or in any report, financial statement, exhibit or schedule, furnished by or on behalf of Holdings or the Borrower to the Administrative Agent or any Lender in connection with the negotiation of any Loan Document or included therein or delivered pursuant thereto (when considered as a whole with all other factual information so furnished) contained, contains or will contain, as of the date so furnished, any material misstatement of fact or omitted, omits or will omit to state, as of the date so furnished, any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not misleading.

(b) All financial projections furnished by or on behalf of Holdings or the Borrower to the Administrative Agent or any Lender in connection with the negotiation of any Loan Document have been prepared in good faith based upon estimates and assumptions believed by management of the Borrower to be reasonable at the time of preparation thereof (except as otherwise disclosed in writing therein), it being understood that projections as to future performance are not to be viewed as facts and that actual results may differ from projected results and such differences may be material.

SECTION 3.16. Employee Benefit Plans. Each of the Borrower and its ERISA Affiliates is in compliance with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder, except for such noncompliance which could not reasonably be expected to result in a Material Adverse Effect. No Reportable Event has occurred in respect of any Plan of the Borrower or any ERISA Affiliate as to which Borrower or any ERISA Affiliate was required to file a report with the PBGC, other than reports for which the 30 day notice requirement is waived, reports that have been filed and reports the failure of which to file could not reasonably be expected to result in a Material Adverse Effect. The present value of all benefit liabilities under each Plan (based on those assumptions used to fund such Plan) did not, as of the last annual valuation date applicable thereto, exceed the value of the

assets of such Plan by an amount that, if required to be funded, could reasonably be expected to result in a Material Adverse Effect. Neither the Borrower nor any ERISA Affiliate has incurred any Withdrawal Liability that could reasonably be expected to materially adversely affect the financial condition of the Borrower and its ERISA Affiliates taken as a whole. Neither the Borrower nor any ERISA Affiliate has received any written notification that any Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, where such reorganization or termination has resulted or can reasonably be expected to result in an increase in the contributions required to be made to such Plan that would materially and adversely affect the financial condition of the Borrower and its ERISA Affiliates taken as a whole.

SECTION 3.17. Environmental Matters. Except as set forth in Schedule 3.17:

(a) The soils and groundwater beneath the properties and facilities owned or operated by Holdings, the Borrower and the Subsidiaries (the "Properties") do not contain any Hazardous Materials in amounts or concentrations which (i) constitute a violation of, or (ii) give rise to liability under, Environmental Laws, which violations and liabilities, in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

(b) The Properties and all operations of the Borrower and the Subsidiaries are in compliance, and in the last three years have been in compliance, with all Environmental Laws and all necessary Environmental Permits have been obtained and are in effect, except to the extent that such non-compliance or failure to obtain any necessary permits, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(c) There have been no Releases or threatened Releases at, from, under or proximate to the Properties or otherwise in connection with the operations of the Borrower or the Subsidiaries, which Releases or threatened Releases, in the aggregate, could reasonably be anticipated to result in a Material Adverse Effect.

(d) None of Holdings, the Borrower or any of the Subsidiaries has received any written notice of an Environmental Claim in connection with the Properties or the operations of the Borrower or the Subsidiaries or with regard to any person whose liabilities for environmental matters Holdings, the Borrower or the Subsidiaries has retained or assumed, in whole or in part, contractually, by operation of law or otherwise, which, in the aggregate, could reasonably be anticipated to result in a Material Adverse Effect, nor do Holdings, the Borrower or the Subsidiaries have reason to believe that any such notice will be received or is being threatened.

SECTION 3.18. Insurance. Schedule 3.18 sets forth a true, complete and correct description of all insurance maintained by the Borrower or by the Borrower for its Subsidiaries as of the Effective Date. As of each such date, such insurance is in full force

and effect and all premiums have been duly paid. The Borrower and its Subsidiaries have insurance in such amounts and covering such risks and liabilities as are in accordance with normal industry practice.

SECTION 3.19. Labor Matters. There are no significant strikes, lockouts, slowdowns or other labor disputes against Holdings, the Borrower or any of its Subsidiaries pending or, to the knowledge of Holdings or the Borrower, threatened that could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect. The hours worked by and payment made to employees of Holdings, the Borrower or any of its Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters, where such violations could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect. The consummation of the Transactions will not give rise to a right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which Holdings, the Borrower or any of its Subsidiaries is a party or by which Holdings, the Borrower or any of its Subsidiaries is bound, other than collective bargaining agreements which, individually or in the aggregate, are not material to Holdings, the Borrower and the Subsidiaries taken as a whole.

SECTION 3.20. Patents, Trademarks, etc. Each of the Borrower and each of its Subsidiaries owns, or is licensed to use, all patents, trademarks, trade names, copyrights, technology, know-how and processes, service marks and rights with respect to the foregoing that are (a) used in or necessary for the conduct of their respective businesses as currently conducted and (b) material to the business, assets, operations, properties, prospects or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole. The use of such patents, trademarks, trade names, copyrights, technology, know-how, processes and rights with respect to the foregoing by the Borrower and its Subsidiaries does not materially infringe on the rights of any Person. Holdings and the Excluded Subsidiaries do not own or license any such patents, trademarks, trade names, copyrights, technology, know-how or processes, service marks or rights.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which

may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Pamela Banks, Esq., counsel for the Loan Parties, substantially in the form of Exhibit B, and covering such other matters relating to the Loan Parties, the Loan Documents or the Transactions as the Required Lenders shall reasonably request. The Borrower hereby requests such counsel to deliver such opinion.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Loan Parties, the authorization of the Transactions and any other legal matters relating to the Loan Parties, the Loan Documents or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(e) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(f) The Administrative Agent shall have received from each Loan Party a counterpart of each of the Guarantee Agreement and the Indemnity, Subrogation and Contribution Agreement duly executed and delivered on behalf of such Loan Party.

(g) All outstanding Loans, accrued and unpaid interest thereon and accrued and unpaid fees and other amounts accrued and owing under the Existing Credit Agreement shall be paid in full (without prejudice to the Borrower's right to borrow hereunder in order to finance such payment) and all commitments under the Existing Credit Agreement shall have been terminated.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 3: 00 p. m., New York City time, on July 22, 2005 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing (other than those in which a Loan is being continued or converted without any increase in the aggregate principal amount thereof), and of any Issuing Banks to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrower set forth in this Agreement shall be true and correct in all material respects on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable, except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties were true and correct in all material respects as of such earlier date.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing (other than those in which a Loan is being continued or converted without any increase in the aggregate principal amount thereof) and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, each of Holdings and the Borrower covenants and agrees with the Lenders that:

SECTION 5.01. Existence; Businesses and Properties. (a) It will do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence, except as otherwise expressly permitted under Section 6.04 and except that the foregoing shall not apply to Excluded Subsidiaries.

(b) It will do or cause to be done all things necessary to (i) obtain, preserve, renew, extend and keep in full force and effect the rights, licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade names material to the conduct of its business; (ii) maintain and operate such business in substantially the manner in which it is presently conducted and operated; (iii) comply in all material respects with all applicable laws, rules, regulations and orders of any Governmental Authority, whether now in effect or hereafter enacted; and (iv) at all times maintain and preserve all property material to the conduct of such business and keep such property in

good repair, working order and condition and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times; provided that (A) clauses (i), (ii), and (iv) above shall not apply to Excluded Subsidiaries, (B) the foregoing shall not prevent any transaction expressly permitted under Section 6.04, (C) the foregoing shall not prevent Holdings, the Borrower or any Subsidiary from withdrawing its qualification as a foreign corporation in any jurisdiction and (D) the foregoing clause (i) shall not prevent Holdings, the Borrower or any Subsidiary from taking or failing to take any action respecting any right, license, permit, franchise, authorization, patent, copyright, trademark or trade name determined by it to be in the best interest of the Borrower and the Subsidiaries; provided further that the foregoing clauses (C) and (D) shall not be construed to permit the taking of, or failure to take, any action that could reasonably be expected to result in a Material Adverse Effect.

SECTION 5.02. Insurance. It will, and will cause each of the Subsidiaries (excluding Excluded Subsidiaries) to, keep its insurable properties adequately insured at all times by financially sound and reputable insurers; maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies in the same or similar businesses, including public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by it; and maintain such other insurance as may be required by law.

SECTION 5.03. Obligations and Taxes. It will, and will cause the Subsidiaries to, pay its material Indebtedness and other material obligations promptly and in accordance with their terms and it will, and will cause each of the Subsidiaries (excluding Excluded Subsidiaries) to pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise which, if unpaid, might give rise to a Lien upon such properties or any part thereof; provided, however, that such payment and discharge shall not be required with respect to any such obligation, tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings and the Borrower shall have set aside on its books adequate reserves with respect thereto and such contest operates to suspend collection of the contested obligation, tax, assessment charge, levy or claim and enforcement of a Lien.

SECTION 5.04. Financial Statements, Reports, etc. It will furnish to the Administrative Agent and each Lender:

(a) as soon as available, but within 95 days after the end of each fiscal year, its consolidated and consolidating balance sheets and related consolidated and consolidating statements of operations and consolidated statements of shareholders' equity and cash flows showing the financial condition of Holdings

and its consolidated subsidiaries as of the close of such fiscal year and the results of its operations and the operations of such subsidiaries during such year, all audited (in the case of such consolidated and consolidating statements) by any of Deloitte &Touche LLP, KPMG LLP, PricewaterhouseCoopers LLP, Ernst & Young LLP, or other independent public accountants of recognized national standing and accompanied by an opinion of such accountants (which shall not contain any "going concern" or other materially adverse qualification) to the effect that such consolidated financial statements fairly present the financial condition and results of operations of Holdings on a consolidated basis in accordance with GAAP consistently applied;

(b) as soon as available, but within 50 days after the end of each of the first three fiscal quarters of each fiscal year, its consolidated and consolidating balance sheets and related consolidated and consolidating statements of operations and consolidated statements of shareholders'equity and cash flows showing the financial condition of Holdings and its consolidated subsidiaries as of the close of such fiscal quarter and the results of its operations and the operations of such subsidiaries during such fiscal quarter and the then elapsed portion of the fiscal year, all certified by one of its Financial Officers as fairly presenting the financial condition and results of operations of Holdings on a consolidated basis in accordance with GAAP consistently applied, subject to the absence of footnotes and normal year-end reserves, accruals and audit adjustments;

(c) concurrently with any delivery of financial statements under (a) or above, a certificate of a Financial Officer (i) certifying that no Event of Default or Default has occurred or, if such an Event of Default or Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto and (ii) setting forth computations in reasonable detail satisfactory to the Administrative Agent demonstrating compliance with the covenants contained in Sections 6.06 and 6.07;

(d) concurrently with any delivery of financial statements under paragraph (a) above, a certificate of the accounting firm opining on such statements (which certificate may be limited to accounting matters and disclaim responsibility for legal interpretations) certifying (i) whether in connection with its audit examination any Default or Event of Default has come to its attention and, if such event has come to its attention, the nature and extent thereof and (ii) that based on its audit examination and its review of the computations referred to in clause (ii) of paragraph (c) above, nothing has come to its attention that leads it to believe that the information contained in the certificate delivered therewith pursuant to paragraph (c) above is not correct; provided that the requirements of this clause (d) shall be subject to any limitations and qualifications adopted after the date hereof by any professional association or organization or any Governmental Authority, in each case that affects the content of, or ability of accounting firms to deliver, certificates of the type contemplated by this paragraph;

(e) promptly after the same become publicly available or are filed or distributed, as applicable, copies of all periodic and other material reports, proxy statements and other materials filed by Holdings or the Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any of or all the functions of said Commission, or with any national securities exchange, or distributed to the holders of any Indebtedness with a then outstanding principal amount of $15,000,000 or more (or any trustee, agent or representative for any such holders) or to Holdings' shareholders, as the case may be;

(f) promptly upon the occurrence of any change of rating of the Index Debt by Moody's or S&P, a certificate of a Financial Officer setting forth the new rating, the effective date thereof and, if applicable, notice of any change in the Applicable Rate as a result thereof; and

(g) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of Holdings and the Borrower or any Subsidiary, or compliance with the terms of any Loan Document, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.05. Litigation and Other Notices. It will, and will cause the Subsidiaries to, furnish to the Administrative Agent and each Lender written notice of the following promptly after any Responsible Officer of Borrower obtains actual knowledge thereof:

(a) any Event of Default or Default, specifying the nature and extent thereof and the corrective action (if any) proposed to be taken with respect thereto;

(b) the filing or commencement of, or any written threat or notice of intention of any Person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against the Borrower or any Affiliate thereof which could reasonably be expected to result in a Material Adverse Effect; and

(c) any other development specific to Borrower, Holdings or the Subsidiaries that is not a matter of general public knowledge and that has resulted in, or could reasonably be expected to result in, a Material Adverse Effect.

SECTION 5.06. Employee Benefits. (a) It will, and will cause the Subsidiaries to, comply in all material respects with the applicable provisions of ERISA and the Code and (b) furnish to the Administrative Agent (i) as soon as possible after, and in any event within 30 days after any Responsible Officer of the Borrower or any ERISA Affiliate knows or has reason to know that, any Reportable Event has occurred, a statement of a Financial Officer setting forth details as to such Reportable Event and the action that the Borrower proposes to take with respect thereto, together with a copy of the notice, if any, of such Reportable Event given to the PBGC, (ii) promptly after receipt

thereof, a copy of any notice that the Borrower or any ERISA Affiliate may receive from the PBGC relating to the intention of the PBGC to terminate any Plan or Plans (other than a Plan maintained by an ERISA Affiliate that is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414) or to appoint a trustee to administer any such Plan, (iii) within 30 days after the due date for filing with the PBGC pursuant to Section 412(n) of the Code a notice of failure to make a required installment or other payment with respect to a Plan, a statement of a Financial Officer setting forth details as to such failure and the action that the Borrower proposes to take with respect thereto, together with a copy of any such notice given to the PBGC and (iv) promptly and in any event within 30 days after receipt thereof by the Borrower or any ERISA Affiliate from the sponsor of a Multiemployer Plan, a copy of each notice received by the Borrower or any ERISA Affiliate concerning (A) the imposition of Withdrawal Liability or (B) a determination that a Multiemployer Plan is, or is expected to be, terminated or in reorganization, both within the meaning of Title IV of ERISA, provided that in the case of each of clauses (i) through (iv) above, notice to the Administrative Agent shall only be required if such event or condition, together with all other events or conditions referred to in clauses (i) through (iv) above, could reasonably be expected to result in a liability of the Borrower in an aggregate amount exceeding $7,500,000.

SECTION 5.07. Maintaining Records; Access to Properties and Inspections. It will, and will cause the Subsidiaries to, maintain all financial records in accordance with GAAP and permit any representatives designated by any Lender, upon reasonable prior notice (except that no prior notice shall be required if an Event of Default has occurred and is continuing) to visit and inspect the financial records and the properties of Holdings, the Borrower or any Subsidiary at reasonable times (during normal business hours) and as often as requested and to make extracts from and copies of such financial records, and permit any representatives designated by any Lender to discuss the affairs, finances and condition of Holdings, the Borrower or any Subsidiary with the officers thereof and independent accountants therefor; provided that any such visitation and inspection rights shall be exercised in a reasonable manner that does not disrupt the business activities of the Borrower and its Subsidiaries.

SECTION 5.08. Use of Proceeds. It will, and will cause each Subsidiary to, use the proceeds of the Loans and request the issuance of Letters of Credit only for (i) working capital purposes of the Borrower and its Subsidiaries or (ii) general corporate purposes (including all proper and legitimate business purposes) of the Borrower and its Subsidiaries.

SECTION 5.09. Further Assurances. It will cause each Subsidiary (including any Subsidiary that becomes a Subsidiary after the date hereof, but excluding (i) any Foreign Subsidiary so long as such Foreign Subsidiary has not entered into any Guarantee with respect to any other Indebtedness of the Borrower and (ii) any Excluded Subsidiary that has not ceased to qualify as an "Excluded Subsidiary") to undertake the obligations of and to become a Subsidiary Guarantor pursuant to the Guarantee Agreement and a party to the Indemnity, Subrogation and Contribution Agreement pursuant to one or more instruments or agreements satisfactory in form and substance to the Administrative Agent.

SECTION 5.10. Environmental Matters. (a) It will, and will cause the Subsidiaries to, promptly give notice to the Administrative Agent upon becoming aware of (i) any violation of any Environmental Law, (ii) any claim, inquiry, proceeding, investigation or other action, including a request for information or a notice of an actual or threatened Environmental Claim or (iii) the discovery of the Release of any Hazardous Material at, on, under or from any of the Properties owned or operated by the Borrower or any Subsidiary in excess of reportable or allowable standards, threshold amounts or levels under any Environmental Law, or in a manner or amount that could reasonably be expected to result in liability under any Environmental Law; provided that in the case of each of clauses (i) through (iii) above, notice to the Administrative Agent shall only be required if such event or condition, together with all other events or conditions referred to in clauses (i) through (iii) above, could reasonably be expected to result in a liability of the Borrower in an aggregate amount exceeding $7,500,000.

(b) It will, and will cause the Subsidiaries to, upon discovery of the presence on any of the Properties owned or operated by the Borrower or any Subsidiary of any Hazardous Material that is in violation of, or that could reasonably be expected to result in liability under, any Environmental Law, which violations or liabilities could reasonably be expected to result in a liability to the Borrower in an aggregate amount exceeding $7,500,000 take all necessary steps to initiate and expeditiously complete all Remedial Action to eliminate any such adverse effect, and keep the Administrative Agent informed of such actions and the results thereof.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, each of Holdings and the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. Indebtedness. (a) The Borrower will not permit any Subsidiary to incur, create, assume or permit to exist any Indebtedness, except:

(i) intercompany Indebtedness, including open accounts, incurred by Subsidiaries from the Borrower or from other Subsidiaries;

(ii) unsecured Indebtedness in an aggregate principal amount at any time outstanding (for all Subsidiaries combined) not to exceed 10% of Consolidated Net Worth; and

(iii) Indebtedness consisting of Guarantees of the Obligations.

(b) The Borrower will not incur, create, assume or permit to exist any Indebtedness in respect of letters of credit or bankers' acceptances other than

(i) Indebtedness in respect of Letters of Credit and (ii) Indebtedness in respect thereof in an aggregate principal amount not to exceed $15,000,000 at any one time outstanding.

SECTION 6.02. Liens. Neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or assets (including stock or other securities of any Person, including any Subsidiary) now owned or hereafter acquired by it or on any income or revenues or rights in respect of any thereof, except:

(a) Liens on property or assets of the Borrower and its Subsidiaries existing on the Effective Date and set forth in Schedule 6.02;

(b) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition, and (ii) such Lien does not apply to any other property or assets of the Borrower or any Subsidiary;

(c) Liens for taxes, assessments or governmental charges or levies not yet due or which are being contested in compliance with Section 5.03;

(d) Liens imposed by law that do not secure Indebtedness for borrowed money and were incurred in the ordinary course of business, such as carriers', warehousemen's, mechanic's, materialmen's, repairmen's or other like Liens arising in the ordinary course of business; provided that such Liens either (i) do not in the aggregate materially detract from the value of the property or assets to which such Liens apply or materially impair the use thereof in the operation of the business of Holdings, the Borrower and the Subsidiaries or (ii) are being contested in compliance with Section 5.03;

(e) Liens upon equipment, machinery or real property (including improvements thereto and fixtures thereon), assets subject to Capital Lease Obligations and assets financed with industrial revenue bonds; provided that such Liens only secure Indebtedness incurred (A) to finance the acquisition of such equipment, machinery or real property, or the improvement of such real property, (B) in respect of Capital Lease Obligations or (C) in respect of industrial revenue bonds, (ii) such Liens (other than Liens securing Capital Lease Obligations) are incurred, and the related Indebtedness is created, within 180 days after the acquisition or construction of the assets financed thereby and (iii) in each case, such Liens do not encumber any other assets or properties;

(f) leases or subleases granted to other Persons not materially interfering with the conduct of the business of the Borrower and its Subsidiaries taken as a whole;

(g) easements, licenses, rights-of-way, zoning or other restrictions, encroachments and other similar charges or encumbrances, and minor title deficiencies, statutory and common law landlords' liens under leases to which

Holdings, the Borrower or any of its Subsidiaries is a party, in each case not securing Indebtedness and not materially interfering with the conduct of the business of Holdings, the Borrower or any of its Subsidiaries;

(h) Liens (other than any Lien imposed by ERISA) for worker's compensation, unemployment compensation and other forms of government insurance incurred in the ordinary course of business;

(i) Liens to secure (i) performance of tenders, statutory obligations, bids, leases and contracts or other similar obligations (other than for borrowed money) entered into in the ordinary course of business or (ii) obligations on surety or appeal bonds, provided that the obligations secured by such Liens (and, to the extent (without duplication) the value of cash or property (other than Letters of Credit) forming a part of the security with respect to such surety or appeal bonds exceeds the obligations so secured, the amount of such excess) do not exceed in the aggregate $7,500,000;

(j) Liens arising from precautionary Uniform Commercial Code financing statement filings regarding operating leases otherwise permitted hereunder;

(k) any interest or title of a lessor under any operating lease of property to, or of any consignor of goods consigned to, or any creditor of any consignee in goods consigned to such consignee by, the Borrower or any of its Subsidiaries, in each case in the ordinary course of business;

(l) Liens arising out of judgments or awards, which have been in existence for less than 45 days from the date of creation thereof or which have been stayed or bonded pending appeal or fully covered by insurance (subject to applicable deductibles) and for which no enforcement action has been commenced, provided that the aggregate amount of all such judgments or awards (and, to the extent (without duplication) the value of cash or property (other than Letters of Credit) forming a part of the security with respect to such judgment or award exceeds the obligations so secured, the amount of such excess) does not exceed $7,500,000 at any time outstanding; and

(m) Liens securing obligations under any Rate Protection Agreement consisting solely of an assignment of the Borrower's rights under such Rate Protection Agreement.

SECTION 6.03. Certain Acquisitions. Neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, purchase, lease or otherwise acquire (in one transaction or a series of related transactions) any property or assets outside the ordinary course of business, except acquisitions by the Borrower of the capital stock of a Person (the "Issuer") or of property or assets outside the ordinary course of business, provided that (i) the aggregate consideration paid in connection with all such acquisitions does not exceed $450,000,000; (ii) the Issuer shall be engaged in, or the property and assets acquired shall be used in connection with, the same or related

(ancillary or complementary) line of business as the Borrower; (iii) all necessary governmental approvals and third party consents for the acquisition have been obtained without imposing burdensome conditions, all appeal periods have expired and there shall be no governmental or judicial action, pending or threatened, restraining or imposing burdensome conditions on such acquisition; (iv) after giving effect to the acquisition, and on a pro forma basis (including the financial results of the Borrower and the Subsidiaries and the Issuer or the property and assets to be acquired, as the case may be, and giving pro forma effect to any Indebtedness to be incurred in connection with such acquisition) for the period of four consecutive fiscal quarters ending immediately prior to such acquisition, no Event of Default or Default shall have occurred and be continuing and the Borrower shall have delivered to the Administrative Agent a certificate of a Financial Officer certifying compliance with the conditions set forth in this clause (iv) and setting forth pro forma calculations demonstrating such compliance; and (v) in the case of any such acquisition of capital stock, the Issuer shall become a Subsidiary Guarantor under the Guarantee Agreement.

SECTION 6.04. Mergers, Consolidations and Sales of Assets. (a) Neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or any substantial part of its assets (whether now owned or hereafter acquired), including any capital stock of any Subsidiary; provided, however, that if at the time thereof and immediately after giving effect thereto no Default or Event of Default shall have occurred and be continuing, (i) any Person may be liquidated into or may merge into or with the Borrower in a transaction in which the Borrower is the surviving corporation, (ii) any Person may merge into or with or consolidate with any Wholly Owned Subsidiary of the Borrower in a transaction in which the surviving entity is a Wholly Owned Subsidiary of the Borrower, provided in each case that (x) no Person other than the Borrower or a Wholly Owned Subsidiary of the Borrower receives any consideration (except in the case of a merger or consolidation that is permitted by Section 6.03) and (y) in the event that any Loan Party is a party to such merger or consolidation and is not the surviving entity, the surviving entity shall, simultaneously with such merger or consolidation, assume all the obligations of such Loan Party hereunder and under the other Loan Documents, and (iii) any Excluded Subsidiary may be liquidated or may sell, transfer or otherwise dispose of its assets to the Borrower or to another Subsidiary.

(b) Notwithstanding the provisions of paragraph (a) above:

(i) the Borrower and its Subsidiaries may sell, transfer or otherwise dispose of assets to each other; and

(ii) the Borrower and its Subsidiaries may sell, transfer or otherwise dispose of assets; provided that (A) such dispositions are made for fair value and (B) after giving effect to any such sale, transfer or disposition the aggregate fair market value of all assets disposed of on and after the Effective Date in reliance upon this clause (ii) would not exceed 15% of the Consolidated Total Assets

determined by reference to the most recent quarterly or annual balance sheet of the Borrower which precedes such sale, transfer or disposition that is delivered to the Administrative Agent pursuant to Section 5.04.

SECTION 6.05. Business of Holdings, Borrower and Subsidiaries. Neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, engage at any time in any business or business activity other than the business currently conducted by the Borrower and its Subsidiaries as of the Effective Date and business activities reasonably related, supportive or incidental thereto. Without limiting the generality of the foregoing, Holdings will not engage in any business or business activity other than (i) the ownership of the capital stock of the Borrower together with activities related thereto, (ii) actions required by law to maintain its status as a corporation and as a public company and (iii) other non-material business activities to promote and support the business activities of the Borrower and its Subsidiaries.

SECTION 6.06. Consolidated Fixed Charge Coverage Ratio. Neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, permit the Consolidated Fixed Charge Coverage Ratio for any period of four consecutive fiscal quarters of the Borrower ended on or after June 30, 2005, to be less than 3.00 to 1.

SECTION 6.07. Leverage Ratio. Neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, permit the Leverage Ratio at any time to be greater than 3.00 to 1.

SECTION 6.08. Restrictive Agreements. Neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, enter into, incur or permit to exist, directly or indirectly, any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of Holdings, the Borrower or any Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Borrower or any other Subsidiary or to Guarantee Indebtedness of the Borrower or any other Subsidiary, provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by any Loan Document, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.08 (but shall apply to any extension or renewal of, or any amendment or modification if it expands the scope of, any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness and (v) clause (a) of the foregoing shall not apply to customary provisions in leases or other contracts entered into in the ordinary course of business restricting the assignment thereof.

ARTICLE VII

Events of Default

In case of the happening of any of the following events ("Events of Default"):

(a) any representation or warranty made or deemed made in or in connection with any Loan Document or the borrowings or issuances of Letters of Credit hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to any Loan Document, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;

(b) default shall be made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(c) default shall be made in the reimbursement with respect to any LC Disbursement or the payment of any fee pursuant to Section 2.12 or any interest on any Loan or on LC Disbursement or any other amount (other than an amount referred to in (b) above) due under any Loan Document, when and as the same shall become due and payable, and such default shall continue unremedied for a period of three Business Days after such default occurs;

(d) default shall be made in the due observance or performance by Holdings, the Borrower or any Subsidiary of any covenant, condition or agreement contained in Section 5.01(a), or 5.08 or in Article VI;

(e) default shall be made in the due observance or performance by Holdings, the Borrower or any Subsidiary of any covenant, condition or agreement contained in any Loan Document (other than those specified in (b), (c) or (d) above) and such default shall continue unremedied for a period of (i) in the case of a default under Section 5.05, three Business Days after any Responsible Officer of the Borrower has actual knowledge of any matter required to be disclosed to the Administrative Agent and the Lenders pursuant to such Section that has not been so disclosed or (ii) in the case of any other such default, 30 days after notice thereof from the Administrative Agent or any Lender to the Borrower;

(f) Holdings, the Borrower or any Subsidiary shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Indebtedness in a principal amount in excess of $7,500,000, when and as the same shall become due and payable, or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing

any such Indebtedness referred to in clause (i) if the effect of any failure referred to in this clause (ii) is to cause, or to permit the holder or holders of such Indebtedness or a trustee on its or their behalf (with or without the giving of notice, the lapse of time or both) to cause, such Indebtedness to become due prior to its stated maturity;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Holdings, the Borrower or any Subsidiary (other than an Excluded Subsidiary), or of a substantial part of the property or assets of Holdings, the Borrower or a Subsidiary (other than an Excluded Subsidiary), under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Holdings, the Borrower or any Subsidiary (other than an Excluded Subsidiary) or for a substantial part of the property or assets of Holdings, the Borrower or a Subsidiary (other than an Excluded Subsidiary) or (iii) the windingup or liquidation of Holdings, the Borrower or any Subsidiary (other than an Excluded Subsidiary); and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) Holdings, the Borrower or any Subsidiary (other than an Excluded Subsidiary) shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (g) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Holdings, the Borrower or any Subsidiary (other than an Excluded Subsidiary) or for a substantial part of the property or assets of Holdings, the Borrower or any Subsidiary (other than an Excluded Subsidiary), (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any corporate action for the purpose of effecting any of the foregoing;

(i) one or more judgments for the payment of money in an aggregate amount in excess of $7,500,000 shall be rendered against Holdings, the Borrower, any Subsidiary (other than an Excluded Subsidiary) or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of Holdings, the Borrower or any Subsidiary (other than an Excluded Subsidiary) to enforce any such judgment;

(j) (i) a Reportable Event or Reportable Events, or a failure to make a required installment or other payment (within the meaning of Section 412(n)(1) of the Code), shall have occurred with respect to any Plan or Plans that reasonably could be expected to result in liability of the Borrower to the PBGC or to a Plan in an aggregate amount exceeding $7,500,000 and, within 30 days after the reporting of any such Reportable Event to the Administrative Agent or after the receipt by the Administrative Agent of a statement required pursuant to Section 5.06(b)(iii) hereof, the Administrative Agent shall have notified the Borrower in writing that (A) the Required Lenders have made a determination that, on the basis of such Reportable Event or Reportable Events or the failure to make a required payment, there are reasonable grounds for the termination of such Plan or Plans by the PBGC, the appointment by the appropriate United States district court of a trustee to administer such Plan or Plans or the imposition of a lien in favor of a Plan and (B) as a result thereof an Event of Default exists hereunder; or (ii) a trustee shall be appointed by a United States district court to administer any such Plan or Plans; or (iii) the PBGC shall institute proceedings (including giving notice of intent thereof) to terminate any such Plan or Plans;

(k) (i) the Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan, (ii) the Borrower or such ERISA Affiliate does not have reasonable grounds for contesting such Withdrawal Liability or is not contesting such Withdrawal Liability in a timely and appropriate manner and (iii) the amount of such Withdrawal Liability specified in such notice, when aggregated with all other amounts required to be paid to Multiemployer Plans in connection with Withdrawal Liabilities (determined as of the date or dates of such notification), either (A) exceeds $7,500,000 or requires payments exceeding $1,000,000 in any year or (B) is less than $7,500,000 but any Withdrawal Liability payment remains unpaid 30 days after such payment is due;

(l) the Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if solely as a result of such reorganization or termination the aggregate annual contributions of the Borrower and its ERISA Affiliates to all Multiemployer Plans that are then in reorganization or have been or are being terminated have been or will be increased over the amounts required to be contributed to such Multiemployer Plans for their most recently completed plan years by an amount exceeding $1,000,000;

(m) at any time after the Effective Date, the Guarantee Agreement shall cease to be, or shall be asserted by any Guarantor not to be, a valid, binding and enforceable agreement, or any Guarantor shall be in breach of the terms and conditions of the Guarantee Agreement, in each case upon 30 days after notice thereof from the Administrative Agent or any Lender to the Borrower; or

(n) there shall have occurred a Change in Control;

then, and in every such event (other than an event with respect to the Borrower described in clause (g) or (h) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued under the Loan Documents, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (g) or (h) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VIII

The Administrative Agent

Each of the Lenders and the Issuing Banks hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth in the Loan Documents, the Administrative Agent shall not have

any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document executed in connection with the Transactions, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Banks and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Banks, appoint a successor Administrative Agent

which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document, any related agreement or any document furnished hereunder or thereunder.

The parties identified on the cover page hereto as Syndication Agent, Sole Bookrunner and Sole Lead Arranger and Co-Documentation Agents shall not have any duties or obligations in such capacities under this Agreement or any other Loan Document nor shall such parties incur any liability under this Agreement or any other Loan Document except in each case in their capacities as Lenders (and only so long as such party is a Lender).

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices. (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to the Borrower or Holdings, to it at Ethan Allen Drive, Danbury, CT 06811, Attention of Chief Financial Officer or Treasurer (Telecopy No. (203) 743-8341), with copies to, in the case of any notice or communication other than routine notices and communications under Article II, the attention of General Counsel at the aforesaid address (Telecopy No. (203) 743-8254);

(ii) if to the Administrative Agent, to it at JPMorgan Chase Bank, N.A., Loan and Agency Services Group, 1111 Fannin Street, 10th Floor, Houston, TX 77002, Attention of Clifford Trapani (Telecopy No. (713) 750-2938);

(iii) if to JPMorgan Chase Bank, N. A. as Issuing Bank, to it at JPMorgan Chase Bank, N.A., Letters of Credit Department, 10420 Highland Manor Drive, Building 2, 4th Floor, Tampa, FL 33610, Attention of Joe Borello, (Telecopy No. (813) 432-5162); with a copy to JPMorgan Chase Bank, N.A., Loan and Agency Services Group, 1111 Fannin Street, 10th Floor, Houston, TX 77002, Attention of Clifford Trapani (Telecopy No. (713) 750-2938);

(iv) if to the Swingline Lender, to it at JPMorgan Chase Bank, N.A., Loan and Agency Services Group, 1111 Fannin Street, 10th Floor, Houston, TX 77002, Attention of Clifford Trapani (Telecopy No. (713) 750-2938); and

(v) if to any other Lender or Issuing Bank, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent, any Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Banks and the Lenders hereunder and under any other Loan Document are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by Holdings or the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default,

regardless of whether the Administrative Agent, any Lender or any Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any other Loan Document nor any provision thereof may be waived, amended or modified except, in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by the Borrower, Holdings and the Required Lenders or, in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Administrative Agent and the Loan Parties or Loan Parties that are parties thereto, in each case with the consent of the Required Lenders; provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan or any date for reimbursement of an LC Disbursement, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan or LC Disbursement, without the prior written consent of each Lender affected thereby, (ii) increase or extend the Commitment or decrease or extend the date for payment of any of the fees of any Lender without the prior written consent of such Lender, or (iii) amend or modify the provisions of Section 2.18(b) and (c), the provisions of this Section, the definition of "Required Lenders" or any provision of any Loan Document that by its terms expressly requires the consent or approval of all the Lenders, without the prior written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, an Issuing Bank or the Swingline Lender hereunder or under any other Loan Document without the prior written consent of the Administrative Agent, such Issuing Bank or the Swingline Lender.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement and the Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereto (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by any Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, any Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, any Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Borrower shall indemnify the Administrative Agent, each Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against third party claims, and hold each

Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee from such third parties arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated hereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by an Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on, at, to or from any Property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, an Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, such Issuing Bank or the Swingline Lender, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, such Issuing Bank or the Swingline Lender in its capacity as such.

(d) To the extent permitted by applicable law, each of Holdings, the Borrower and the Indemnitees shall not assert, and each hereby waives, any claim against, in the case of Holdings and the Borrower, any Indemnitee or, in the case of any Indemnitee, Holdings or the Borrower, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, the Loan Documents or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof; provided that the provisions of this clause (d) shall not be construed to affect in any way any Indemnitee's rights under Section 9.03(b).

(e) All amounts due under this Section shall be payable on written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of an Issuing Bank that issues any Letter of Credit), except that (i) neither Holdings or the Borrower

may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by Holdings or the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of an Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Banks and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b) (ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower; provided that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee;

(B) the Administrative Agent; and

(C) each Issuing Bank.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Competitive Loans, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent; provided that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement; provided that this clause shall not apply to rights in respect of outstanding Competitive Loans;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500; and

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

For purposes of this Section 9.04(b), the term "Approved Fund" has the following meaning:

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by a Lender, an Affiliate of a Lender or an entity or an Affiliate of an entity that administers or manages a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b) (iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of Holdings and the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and Holdings, the Borrower, the Administrative Agent, the Issuing Banks and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, any Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for

purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of the Borrower, the Administrative Agent, the Issuing Banks or the Swingline Lender, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent, the Issuing Banks and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (c) (ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(c) as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by Holdings, the Borrower or any Subsidiary Guarantor in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this

Agreement and the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, any Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any of the Loan Documents or any provision hereof or thereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any of and all the obligations of Holdings and the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09.Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each of Holdings and the Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any Loan Document shall affect any right that the Administrative Agent, any Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower or its properties in the courts of any jurisdiction.

(c) Each of Holdings and the Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent, the Issuing Banks and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, any Issuing Bank or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, "Information" means all information received from Holdings, the Borrower or any Subsidiary relating to Holdings, the Borrower or its business or any Subsidiary or its business, other than any such information that is available to the Administrative Agent, any Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from Holdings, the Borrower or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not

above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.14. USA Patriot Act. Each Lender hereby notifies Holdings and the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), (the "Act"), it is required to obtain, verify and record information that identifies Holdings and the Borrower, which information includes the name and address of Holdings and the Borrower and other information that will allow such Lender to identify Holdings and the Borrower in accordance with the Act.

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

ETHAN ALLEN GLOBAL INC.,

by

/s/ M. Farooq Kathwari
Name:
Title:

Principal Place of Business:
TIN:

ETHAN ALLEN INTERIORS INC.,

by

/s/ M. Farooq Kathwari
Name:
Title:

Principal Place of Business:
TIN:

JPMORGAN CHASE BANK, N.A.
individually and as
Administrative Agent,

by

/s/ James A. Knight
Name: James A. Knight
Title: Vice President

SIGNATURE PAGE TO 2005 ETHAN ALLEN 5-YEAR CREDIT AGREEMENT

CITIZENS BANK OF MASSACHUSETTS, individually and as Co-Syndication Agent,

by
/s/ R. Jane Westrich
Name: R. Jane Westrich
Title: Senior Vice President

SIGNATURE PAGE TO 2005 ETHAN ALLEN 5-YEAR CREDIT AGREEMENT

WACHOVIA BANK NATIONAL ASSOCIATION,
individually and as Co-Syndication Agent,

by
/s/ Anthony D. Braxton
Name: Anthony D. Braxton
Title: Director

SIGNATURE PAGE TO 2005 ETHAN ALLEN 5-YEAR CREDIT AGREEMENT

Name of Institution:
BANK OF AMERICA

by
/s/ John Pocalyko
Name: John Pocalyko
Title: Senior Vice President

SIGNATURE PAGE TO 2005 ETHAN ALLEN 5-YEAR CREDIT AGREEMENT

Name of Institution:

PNC Bank, National Association

by
/s/ Timothy J. Hornickle
Name: Timothy J. Hornickle
Title: Vice President

SIGNATURE PAGE TO 2005 ETHAN ALLEN 5-YEAR CREDIT AGREEMENT

Name of Institution:

U.S. Bank National Association

by

/s/ Jennifer L. Thurston
Jennifer L. Thurston
Title: Assistant Vice President

SCHEDULE 2.01

Commitments

Name of Lender	Commitment
JPMorgan Chase Bank, N.A	$ 45,000,000
Citizens Bank	$ 40,000,000
Wachovia Bank National Association	$ 40.000,000
Bank of America, N.A	$ 25,000,000
PNC Bank, National Association	$ 25,000,000
U. S. Bank	$ 25,000,000
Total	$200,000,000

Schedule 3.08

Subsidiaries and Excluded Subsidiaries

Ethan Allen Interiors Inc. and Ethan Allen Global, Inc.

Baumritter Corporation (DE) (**)(***)
EA-DV, Inc.(**) (***)
Ethan Allen (Canada) Inc. (**) (***)
Ethan Allen (UK) Limited (*) (**)
Ethan Allen Carriage House, Inc. (**) (***)
Ethan Allen Marketing Corporation (**) (***)
Ethan Allen Operations, Inc. (formerly Ethan Allen Manufacturing Corporation) (*)
Ethan Allen Realty, LLC (wholly owned by Ethan Allen Operations, Inc.)
Ethan Allen Retail, Inc. (formerly Ethan Allen Inc.) (*)
Ethan Allen.com Inc. (**) (***)
KEA International, Inc.(*) (**)
Lake Avenue Associates, Inc. (*)
Manor House, Inc. (***)
Northeast Consolidated, Inc. (*) (**)
Riverside Water Works, Inc. (*)

* Wholly owned by Ethan Allen Global, Inc.
** *Excluded Subsidiaries*
*** Wholly owned by Ethan Allen Retail, Inc.

ETHAN ALLEN INTERIORS INC. HAS CLAIMED CONFIDENTIAL TREATMENT OF PORTIONS OF THIS DOCUMENT IN ACCORDANCE WITH RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934

Schedule 3.09

Litigation/Actions/Proceedings

General
*
Environmental

1. Parker Landfill: Ethan Allen believes it has substantially completed its obligations under agreement with other potentially responsible parties (PRP's), has received a conditional certificate of corporation and is awaiting receipt of final completion certificate from EPA. This project has continued operations and maintenance obligations, which is the contractual obligation of another PRP. Ethan Allen believes that it no longer has any material obligations at this site, but continues to be jointly and severally liable at this superfund site.

2. Carroll Town Landfill: Ethan Allen was notified by the EPA in or around 2002, that it may be a PRP at this site; however, no formal notice or action has been received. There is insufficient information to determine what affect if any this site might have.

3. Seaboard (NC): Ethan Allen is a deminimus party at this site. We do not anticipate any material adverse affects from this site, but as additional information becomes available, this position may change.

4. SRS (CT): Ethan Allen is a deminimus party at this site. We do not anticipate any material adverse affects from this site, but as additional information becomes available, this position may change.

*CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND FURNISHED SEPARATELY TO THE COMMISSION

Schedule 3.17

Environmental

None

ETHAN ALLEN INTERIORS INC. HAS CLAIMED CONFIDENTIAL TREATMENT OF PORTIONS OF THIS DOCUMENT IN ACCORDANCE WITH RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934

Schedule 3.18 – Insurance

ETHAN ALLEN U.S/CANADA. POLICY SCHEDULE

Type of Coverage	Coverage Territory	Coverage	Valuation	Effective Date	Expiration Date	Insurer	Policy Number	Policy Limit*
Factory - Property/Boiler	U.S.	"All Risk" including Flood & Earthquake. Includes Real & Personal Property, Business Interruption, Boiler & Machinery and Transit	Property - Replacement Cost (generally) Business Interruption - Actual Loss Sustained	7/1/2005	7/1/2006	Zurich	ERP930494502	*
Retail - Property/Boiler	U.S.	"All Risk" including Flood & Earthquake. Includes Real & Personal Property, Business Interruption, Boiler & Machinery and Transit	Property - Replacement Cost (generally) Business Interruption - Actual Loss Sustained	7/1/2005	7/1/2006	Travelers	KTJ-CMB-123D544-4-04	*
Property - Excess Earthquake	California	Earthquake	Property - Replacement Cost (generally) Business Interruption - Actual Loss Sustained	7/1/2005	7/1/2006	Insurance Company of the West	XCH206202402	*
National Flood	27 Railroad Ave. Rub & Pack Building Orleans, VT	Flood	Least of: Amount of Insurance, ACV or cost to repair or replace	6/20/2005	6/20/2006	American Bankers	2042856400	*
National Flood	27 Railroad Ave. Rough Mill Orleans, VT	Flood	Least of: Amount of Insurance, ACV or cost to repair or replace	6/20/2005	6/20/2006	American Bankers	2042856500	*
National Flood	27 Railroad Ave. Boiler House Orleans, VT	Flood	Least of: Amount of Insurance, ACV or cost to repair or replace	6/20/2005	6/20/2006	American Bankers	2042853000	*

National Flood	217 Main St.. Main Building Beecher Falls, VT	Flood	Least of: Amount of Insurance, ACV or cost to repair or replace	6/20/2005	6/20/2006	American Bankers	2042853100	*
National Flood	217 Main St.. Saw Mill Beecher Falls, VT	Flood	Least of: Amount of Insurance, ACV or cost to repair or replace	6/20/2005	6/20/2006	American Bankers	2042853200	*

National Flood	5139 Manheim Pike East Petersburg, PA	Flood	Least of: Amount of Insurance, ACV or cost to repair or replace	7/1/2005	7/1/2006	American Bankers	2042912700	*
National Flood	200 Murray East Rutherford, NJ	Flood	Least of: Amount of Insurance, ACV or cost to repair or replace	11/14/2004	11/14/2005	American Bankers	2044564300	*
National Flood	1800 Banks Road Margate, FL	Flood	Least of: Amount of Insurance, ACV or cost to repair or replace	6/28/2005	6/28/2006	American Bankers	1011110194	*
National Flood	13680 Pines Blvd. Pembroke Pines, FL	Flood	Least of: Amount of Insurance, ACV or cost to repair or replace	6/28/2005	6/28/2006	American Bankers	1011110195	*
National Flood	27 Railroad Ave. Finish Mill Orleans, VT	Flood	Least of: Amount of Insurance, ACV or cost to repair or replace	9/30/2004	9/30/2005	American Bankers	1011112456	*
Cargo	Worldwide	All risks of physical loss or damage from any external cause, except those risks as may be excluded.	The total amount of invoice including any prepaid or advanced or guaranteed freight, if any, plus 10%	7/1/2005	7/1/2006	Continental	OC9800025	*
Automobile	United States, its territories and possessions, Puerto Rico and Canada	Commercial Automobile Liability, all states except Texas	N/A	7/1/2005	7/1/2006	Travelers	TC2J-CAP-185K9364-TIL-04	*
Automobile	United States, its territories and possessions, Puerto Rico and Canada	Commercial Automobile Liability, Texas Only	N/A	7/1/2005	7/1/2006	Travelers	TC2E-CAP-281D3001-TCT-03	*

General Liability	United States, Puerto Rico and Canada, Restrictive Worldwide	Commercial General Liability	N/A	7/1/2005	7/1/2006	Travelers	TC2J-GLSA-185K9432-TIL-04	*
Workers Compensation	Statutory	Deductible Workers Compensation	N/A	7/1/2005	7/1/2006	Travelers	TC2JUB-185K935-2-04	*
Workers Compensation	Statutory	Retro Workers Compensation (AZ, MA, WI)	N/A	7/1/2005	7/1/2006	Travelers	TRJUB-177D745-4-04	*
Umbrella Liability	Worldwide	Commercial Umbrella Excess Liability	N/A	7/1/2005	7/1/2006	St. Paul	QK09000765	*
Excess Liability	Worldwide	Commercial Excess Liability	N/A	7/1/2005	7/1/2006	Great American	EXC 5165982	*
Canadian Property	Canada	All Risk Property	Replacement Cost	6/30/2005	6/30/2006	Economial Mutual	4704324	*
Canadian General Liabilty	Canada	General Liability	N/A	6/30/2005	6/30/2006	Economial Mutual	4704324	*
Canadian Automobile Liability	Canada	Commercial Automobile Liability	N/A	6/30/2005	6/30/2006	Economial Mutual	6305873	*
Canadian Umbrella Liability	Canada	Umbrella Liability	N/A	6/30/2005	6/30/2006	Economial Mutual	4704324	*
Customs Bond	US	US Customs Bond	N/A	7/9/2005	7/9/2006	Washington International	170664-21	*

Utility Payment Bond	Georgia	Utility Payment	N/A	8/12/2004	8/12/2005	Travelers	103904559	*
Directors & Officers Liability	Worldwide	Directors & Officers Liability	N/A	7/1/2005	7/1/2006	Chubb Group	8146-37-26	*
Employment Practices Liability	Worldwide	Employment Practices Liability	N/A	7/1/2005	7/1/2006	Chubb Group	8146-37-26	*
Fiduciary Liability	Worldwide	Fiduciary Liability	N/A	7/1/2005	7/1/2006	Chubb Group	8146-37-26	*
Commercial Crime	Worldwide	Commercial Crime	N/A	7/1/2005	7/1/2006	AIG	167-47-45	*
Special Coverage	Worldwide	Special Coverage	N/A	7/1/2005	7/1/2008	Professional Indemnity	077387-012	*

*CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND FURNISHED SEPARATELY TO THE COMMISSION

SCHEDULE 6.02 – JP MORGAN CHASE BANK – ETHAN ALLEN CREDIT AGREEMENT – July ____, 2005

EXISTING LIEN DISCLOSURE — BALANCE AS OF 5/31/05

	5/31/04	**Maturity**
1. Ethan Allen Inn - IRB	$3,855,000	6/1/11
2. Beecher Falls (Town of Canaan) (Building)	$ 268,920	10/15/26
3. Beecher Falls (Town of Canaan) (M&E)	$ 222,912	10/15/11
4. Beecher Falls (VEDA)	$ 212,386	6/26/06

Schedule 6.08

Restrictions

None

EXHIBIT A
to the Credit Agreement

[FORM OF]
ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor] (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____

2. Assignee:_____
[and is an Affiliate/Approved Fund of [Identify Lender]][1]

3. Borrower: Ethan Allen Global, Inc.

_____

[1] Select as applicable.

4. Administrative Agent: JPMorgan Chase Bank, N.A., as the Administrative Agent under the Credit Agreement

5. Credit Agreement: The Credit Agreement dated as of July 21, 2005 among Ethan Allen Global, Inc., as Borrower, Ethan Allen Interiors Inc., the Lenders parties thereto and JPMorgan Chase Bank, as Administrative Agent.

6. Assigned Interest:

Effective Date: _____ ___, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR].

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR [NAME OF ASSIGNOR],

by _____
Title:

ASSIGNEE [NAME OF ASSIGNEE],

by _____
Title:

Consented to and Accepted:

JPMORGAN CHASE BANK, N.A., as
Administrative Agent,

by _____
Title:

Consented to:

ETHAN ALLEN GLOBAL, INC., if required,

by _____
Title:

[ISSUING BANK(S)]

by _____
Title:

ANNEX 1
to the Assignment and Assumption

STANDARD TERMS AND CONDITIONS FOR

ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.04 thereof, as applicable, and

such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Foreign Lender, attached to this Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of Section 2.17(e) of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have

accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

EXHIBIT B
to the Credit Agreement

[FORM OF]
OPINION OF COUNSEL FOR THE BORROWER

July 21, 2005

To the Lenders and the Administrative
Agent Referred to Below
c/o JP Morgan Chase Bank N.A., as
Administrative Agent
270 Park Avenue
New York, New York 10017

Ladies and Gentlemen:

This opinion is furnished to you pursuant to paragraph (b) of Section 4.01 of the Credit Agreement, dated as of July 21, 2005 (the "Credit Agreement"), among Ethan Allen Interiors Inc., a Delaware corporation ("Holdings"), Ethan Allen Global, Inc., a Delaware corporation (the "Borrower"), the banks and other financial institutions identified therein as Lenders, and JP Morgan Chase Bank, as Administrative Agent. Unless otherwise defined herein, terms used herein have the meanings provided in the Credit Agreement.

I am general counsel of Holdings and the Borrower and, in that capacity, have acted as counsel for the Loan Parties in connection with the Credit Agreement and the other Loan Documents. For purposes of this opinion, I have examined originals or copies, certified or otherwise identified to my satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as I have deemed necessary or advisable.

Upon the basis of the foregoing, I am of the opinion that:

1. Each Loan Party (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted, (c) is qualified to do business in every jurisdiction where such qualification is required, except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect, and (d) has the corporate power and authority to execute, deliver and perform its obligations under each of the Loan Documents and, in the case of the Borrower, to borrow under the Credit Agreement.

2. The execution, delivery and performance by each Loan Party of each of the Loan Documents to which it is or will be a party and, in the case of the Borrower, the borrowings under the Credit Agreement (collectively, the "Transactions") (a) have been duly authorized by all requisite corporate and, if required, stockholder action and (b) will not (i) violate (A) any provision of law, statute, rule or regulation, or of the certificate or articles of incorporation or other constitutive documents or by-laws of any Loan Party, (B) any order of any Governmental Authority or (C) any provision of any indenture, agreement or other instrument to which Holdings, the Borrower or any Subsidiary is a party or by which any of them or any of their property is or may be bound, (ii) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under any such indenture, agreement or other instrument, where any such conflict, violation, breach or default referred to in clause (i) or (ii) of this paragraph 2, individually or in the aggregate could reasonably be expected to have a Material Adverse Effect, or (iii) result in the creation or imposition of any Lien upon or with respect to any property or assets now owned or hereafter acquired by Holdings, the Borrower or any Subsidiary.

3. The Credit Agreement has been duly executed and delivered by each of Holdings and the Borrower. The Guarantee Agreement has been duly executed and delivered by each of the Guarantors. The Indemnity, Subrogation and Contribution Agreement has been duly executed and delivered by each of the Borrower and the Subsidiary Guarantors. Each Loan Document constitutes a legal, valid and binding obligation of each Loan Party that is a party thereto, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally and except as enforceability may be limited by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).[1]

4. No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the Transactions, except for (a) such as have been made or obtained and are in full force and effect and (b) such actions, consents, registrations, filings and approvals the failure to obtain or make which could not reasonably be expected to result in a Material Adverse Effect.

5. Except as set forth in Schedule 3.09, to the Credit Agreement, there are not any actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to my knowledge, threatened against or affecting Holdings, the Borrower or any Subsidiary or any business, property or rights of any such Person (i)

which involve any Loan Document or the Transactions or (ii) as to which there is a

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[1] The enforceability opinion set forth in the last sentence of paragraph 3 is a New York law opinion. If counsel cannot opine regarding New York law, it will be necessary for the Borrower to retain New York counsel to render the enforceability opinion.

reasonable possibility of an adverse determination and which, in either case, (A) if adversely determined, would, individually result in a loss of greater than $300,000 or (B) if adversely determined (excluding an actions, suits or proceedings at law or in equity or by or before any Governmental Authority that would individually result in a loss of $300,000 or less), in the aggregate could reasonably be expected to result in a Material Adverse Effect.

6. None of the Loan Parties is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

I am a member of the bar of the State of New York and the foregoing opinion is limited to the laws of the State of New York, the General Corporation Law of the State of Delaware and the Federal laws of the United States of America. This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon by you for any other purpose or relied upon by any other Person (other than your successors and assigns as Lenders and Persons that acquire participations in your Loans) without my prior written consent.

Very truly yours,

Pamela A. Banks
Vice President, General Counsel
and Secretary

EXHIBIT C
to the Credit Agreement

[FORM OF]

GUARANTEE AGREEMENT dated as of July 21, 2005, among ETHAN ALLEN INTERIORS INC., a Delaware corporation ("Holdings"), each of the subsidiaries of ETHAN ALLEN GLOBAL, INC., a Delaware corporation (the "Borrower"), listed on Schedule I hereto (individually, a "Subsidiary Guarantor" and collectively, the "Subsidiary Guarantors"; the Subsidiary Guarantors together with Holdings are referred to individually as a "Guarantor" and collectively as the "Guarantors") and JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the "Administrative Agent") for the Lenders (as defined herein).

Reference is made to the Credit Agreement dated as of July 21, 2005 (as amended, supplemented or modified from time to time, the "Credit Agreement"), among Holdings, the Borrower, the financial institutions party thereto, as lenders (the "Lenders") and the Administrative Agent. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Lenders have agreed to extend credit to, and each Issuing Bank has agreed to issue Letters of Credit for the account of, the Borrower pursuant to, and subject to the terms specified in, the Credit Agreement. The obligations of the Lenders to extend credit and of each Issuing Bank to issue Letters of Credit under the Credit Agreement are conditioned on, among other things, the execution and delivery by the Guarantors of a guarantee agreement in the form hereof. As the owner of all the issued and outstanding capital stock of the Borrower, Holdings acknowledges that it will, and as Subsidiaries, the Subsidiary Guarantors acknowledge that they will, derive substantial benefits from the extension of credit to the Borrower under the Credit Agreement. As consideration therefor and in order to induce the Lenders to continue to extend credit and each Issuing Bank to issue Letters of Credit under the Credit Agreement, the Guarantors are willing to execute and deliver this Agreement. Accordingly, the parties hereto agree as follows:

SECTION 1. Each of the Guarantors unconditionally guarantees, jointly with the other Guarantors and severally, as a primary obligor and not merely as a surety, (a) the due and punctual payment by the Borrower of (i) the principal of and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by the Borrower under the Credit Agreement in respect of any Letter or Letters of Credit, when and as due, including payments in respect of reimbursement of disbursements, interest thereon and obligations to provide cash collateral, and (iii) all other monetary obligations of the Borrower to

the Lenders, each Issuing Bank and the Administrative Agent under the Credit Agreement and the other Loan Documents to which the Borrower is or is to be a party, (b) the due and punctual performance of all other obligations of the Borrower under the Credit Agreement and the other Loan Documents, (c) the due and punctual payment and performance of all obligations of the Borrower under each Rate Protection Agreement entered into with any counterparty that was a Lender at the time such Rate Protection Agreement was entered into and (d) the due and punctual payment and performance of all obligations of each of Holdings and the other Subsidiaries, in the case of any Subsidiary Guarantor, or of each Subsidiary, in the case of Holdings, under the Loan Documents to which it is or is to be a party (all the foregoing obligations being collectively called the "Obligations"). Each of the Guarantors further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its guarantee notwithstanding any extension or renewal of any Obligation.

SECTION 2. Each of the Guarantors waives presentment to, demand of payment from and protest to Holdings, the Borrower or any Subsidiary of any of the Obligations, and also waives notice of acceptance of its guarantee and notice of protest for nonpayment. The obligations of each Guarantor hereunder shall not be affected by (a) the failure of the Administrative Agent, any Issuing Bank or any Lender to assert any claim or demand or to enforce any right or remedy against Holdings, the Borrower or any Subsidiary under the provisions of any Loan Document or otherwise; (b) any rescission, waiver, amendment or modification of, or any release from any of the terms or provisions of, any Loan Document, any guarantee or any other agreement, including with respect to any other Guarantor under this Agreement; or (c) the failure of the Administrative Agent, any Issuing Bank or any Lender to exercise any right or remedy against any other Guarantor or guarantor of the Obligations.

SECTION 3. Each of the Guarantors further agrees that its guarantee hereunder constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by the Administrative Agent, any Issuing Bank or any Lender to any security held for payment of the Obligations or to any balance of any deposit account or credit on the books of the Administrative Agent, any Issuing Bank or any Lender in favor of the Borrower or any other person.

SECTION 4. The obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of the Administrative Agent, any Issuing Bank or any Lender to assert any claim or

demand or to enforce any remedy under any Loan Document, any guarantee or any other agreement, by any waiver or modification of

any thereof, by any default, failure or delay, willful or otherwise, in the performance of the Obligations, or by any other act or omission which may or might in any manner or to any extent vary the risk of any Guarantor or otherwise operate as a discharge of any Guarantor as a matter of law or equity (other than the indefeasible payment in full of all the Obligations).

SECTION 5. Each of the Guarantors waives any defense based on or arising out of any defense of the Borrower or the unenforceability of the Obligations or

any part thereof from any cause, or the cessation from any cause of the liability of the Borrower, other than the final and indefeasible payment in full in cash of the Obligations. The Administrative Agent may, at its election, compromise or adjust any part of the Obligations, make any other accommodation with the Borrower or any other guarantor or exercise any other right or remedy available to it against the Borrower or any other guarantor, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the Obligations have been fully, finally and indefeasibly paid in cash. Pursuant to applicable law, each of the Guarantors waives any defense arising out of any such election even though such election operates pursuant to applicable law to impair or to extinguish any right of reimbursement or subrogration or other right or remedy of such Guarantor against the Borrower or any other Guarantor or guarantor, as the case may be.

SECTION 6. Each of the Guarantors further agrees that its guarantee shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by the Administrative Agent, any Issuing Bank or any Lender upon the bankruptcy or reorganization of the Borrower, any other Guarantor or otherwise.

SECTION 7. In furtherance of the foregoing and not in limitation of any other right which the Administrative Agent, any Issuing Bank or any Lender has at law or in equity against any Guarantor by virtue hereof, upon the failure of Holdings, the Borrower or any Subsidiary to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each of the Guarantors hereby promises to and will, upon receipt of written demand by the Administrative Agent, forthwith pay, or cause to be paid, to the Administrative Agent for distribution to the Lenders and each Issuing Bank, if and as appropriate, in cash the amount of such unpaid Obligation, and thereupon each of the Administrative Agent, any Issuing Bank and any Lender that shall have received any part of such payment shall, in a reasonable manner, assign the amount of the Obligations owed to it and paid by such Guarantor pursuant to this guarantee to such Guarantor, such assignment to be pro tanto to the extent to which the Obligations in question were discharged by such Guarantor, or make such other disposition thereof as such Guarantor shall direct (all without recourse to the Administrative Agent, such Issuing Bank or such Lender and without any representation or warranty by the Administrative Agent, such Issuing Bank or such Lender); provided, however, that until the indefeasible payment in full of all the Obligations, none of the Guarantors shall have any right by way of subrogation or otherwise as a result of the payment of any sums hereunder.

SECTION 8. Each of the Guarantors jointly and severally represents and warrants that all representations and warranties contained in the Credit Agreement which relate to the Guarantors are true and correct.

SECTION 9. The guarantees made hereunder shall survive and be in full force and effect so long as any Obligation is outstanding and has not been indefeasibly paid and so long as any of the Lenders have any further commitment to extend credit or any Issuing Bank has any further obligation to issue Letters of Credit under the Credit

Agreement or any Letter of Credit is outstanding, and shall be reinstated to the extent provided in Section 6. Each Subsidiary Guarantor shall be released from its guarantee hereunder in the event that (a) it ceases to be a Subsidiary or (b) all the capital stock of such Subsidiary Guarantor shall be sold, transferred or otherwise disposed of, in accordance with the terms of the Credit Agreement, by the Borrower to a person that is not an Affiliate of Holdings or the Borrower.

SECTION 10. This Agreement and the terms, covenants and conditions hereof shall be binding upon each Guarantor and its successors and shall inure to the benefit of the Administrative Agent, the Collateral Agent, each Issuing Bank and the Lenders and their respective successors and assigns. None of the Guarantors shall be permitted to assign or transfer any of its rights or obligations under this Agreement, except as expressly contemplated by this Agreement or the Credit Agreement.

SECTION 11. No failure on the part of the Administrative Agent to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by the Administrative Agent, any Issuing Bank or any Lender preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder and under the other Loan Documents are cumulative and are not exclusive of any other remedies provided by law. Except as provided in the Credit Agreement, none of the Administrative Agent, any Issuing Bank or the Lenders shall be deemed to have waived any rights hereunder or under any other agreement or instrument unless such waiver shall be in writing and signed by such parties.

SECTION 12. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 13. All communications and notices hereunder shall be in writing and given as provided in Section 9.01 of the Credit Agreement. All communications and notices hereunder to each Subsidiary Guarantor shall be given to it at its address set forth in Schedule I hereto with a copy to the Borrower.

SECTION 14. In case any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect with respect to any Guarantor, no party hereto shall be required to comply with such

provision with respect to such Guarantor for so long as such provision is held to be invalid, illegal or unenforceable and the validity, legality and enforceability of the remaining provisions contained herein, and of such provision with respect to any other Guarantor, shall not in any way be affected or impaired. The parties shall endeavor in good-faith negotiations to replace any invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 15. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument; provided that this Agreement shall be construed as a separate agreement with respect to each Guarantor and may be amended, modified, supplemented, waived or released with respect to any Guarantor without the approval of any other Guarantor and without affecting the obligations of any other Guarantor hereunder. This Agreement shall be effective with respect to any Guarantor when a counterpart which bears the signature of such Guarantor shall have been delivered (by electronic transmission or otherwise) to the Administrative Agent.

SECTION 16. Upon execution and delivery by the Administrative Agent and a Subsidiary of an instrument in the form of Annex 1 attached hereto, such Subsidiary shall become a Subsidiary Guarantor hereunder with the same force and effect as if originally named as a Subsidiary Guarantor herein. The execution and delivery of any such instrument shall not require the consent of any Guarantor hereunder. The rights and obligations of each Guarantor hereunder shall remain in full force and effect notwithstanding the addition of any new Subsidiary Guarantor as a party to this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

ETHAN ALLEN INTERIORS, INC.,

by _____

Name:
Title:

EACH SUBSIDIARY GUARANTOR
LISTED ON SCHEDULE I HERETO,

by _____

Name:
Title:

JPMORGAN CHASE BANK, N.A., as
Administrative Agent,

by _____

Name:
Title:

SCHEDULE I
to the Guarantee Agreement

Subsidiary Guarantors

1.	Ethan Allen Operations, Inc.	Ethan Allen Drive Danbury, Connecticut 06811
2.	Lake Avenue Associates, Inc.	Ethan Allen Drive Danbury, Connecticut 06811
3.	Manor House, Inc.	Ethan Allen Drive Danbury, Connecticut 06811
4.	Riverside Water Works, Inc.	Ethan Allen Drive Danbury, Connecticut 06811
5.	Ethan Allen Realty LLC	Ethan Allen Drive Danbury, Connecticut 06811
6.	Ethan Allen Retail, Inc.	Ethan Allen Drive Danbury, Connecticut 06811

ANNEX 1
to the Guarantee Agreement

SUPPLEMENT NO. dated as of , 200_, to the Guarantee Agreement dated as of July 21, 2005 (as amended and supplemented through the date hereof, the "Guarantee Agreement"), among ETHAN ALLEN INTERIORS INC., a Delaware corporation ("Holdings"), certain subsidiaries of Ethan Allen Inc. (collectively, the "Subsidiary Guarantors", and together with Holdings, the "Guarantors") and JPMORGAN CHASE BANK, N.A., as administrative agent (the "Administrative Agent") for the Lenders, as defined therein.

A. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Guarantee Agreement.

B. Holdings and the Subsidiary Guarantors have entered into the Guarantee Agreement in order to induce the Lenders to extend credit to, and to induce each Issuing Bank to issue Letters of Credit for the account of, the Borrower pursuant to the Credit Agreement. The Guarantee Agreement provides that additional Subsidiaries may become Subsidiary Guarantors under the Guarantee Agreement by execution and delivery of an instrument in the form of this Supplement. Pursuant to the Credit Agreement, the undersigned Subsidiary (the "New Subsidiary Guarantor") is required to become a Subsidiary Guarantor under the Guarantee Agreement. The New Subsidiary Guarantor desires to become a Subsidiary Guarantor and Guarantor under the Guarantee Agreement in order to induce the Lenders to continue to extend credit and each Issuing Bank to issue Letters of Credit under the Credit Agreement and as consideration therefor.

Accordingly, the Administrative Agent and the New Subsidiary Guarantor agree as follows:

SECTION 1. In accordance with the Guarantee Agreement, the New Subsidiary Guarantor by its signature hereto shall become a Subsidiary Guarantor and Guarantor under the Guarantee Agreement with the same force and effect as if originally named therein as a Subsidiary Guarantor and Guarantor and the New Subsidiary Guarantor hereby agrees to all the terms and provisions of the Guarantee Agreement applicable to it as a Subsidiary Guarantor and Guarantor thereunder. Each reference to a "Guarantor" or a "Subsidiary Guarantor" in the Guarantee Agreement shall be deemed to include the New Subsidiary Guarantor. The Guarantee Agreement is hereby incorporated herein by reference.

SECTION 2. This Supplement shall become effective when the Administrative Agent shall have received a counterpart (by electronic transmission or otherwise) of this

Supplement executed on behalf of the New Subsidiary Guarantor.

SECTION 3. The New Subsidiary Guarantor hereby represents and warrants that (i) this Supplement has been duly authorized, executed and delivered by the New Subsidiary Guarantor and constitutes a legal, valid and binding obligation of the New Subsidiary Guarantor, enforceable against it in accordance with its terms, and (ii) set forth under its signature hereto is its address for purposes of notices under the Guarantee

Agreement, which information supplements Schedule I to the Guarantee Agreement and shall be deemed a part thereof for all purposes of the Guarantee Agreement.

SECTION 4. Except as expressly supplemented hereby, the Guarantee Agreement shall remain in full force and effect in accordance with its terms.

SECTION 5. THIS SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guarantee Agreement shall not in any way be affected or impaired. The parties hereto shall endeavor in good-faith negotiations to replace any invalid, illegal or unenforceable provisions herein with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. This Supplement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument.

SECTION 8. The New Subsidiary Guarantor agrees to reimburse the Administrative Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees and expenses of counsel for the Administrative Agent.

IN WITNESS WHEREOF, the New Subsidiary Guarantor and the Administrative Agent have duly executed this Supplement to the Guarantee Agreement as of the day and year first above written.

[NAME OF NEW SUBSIDIARY GUARANTOR],

by _____

Name:
Title:

Address _____
_____
_____

JPMORGAN CHASE BANK, N.A., as Administrative Agent,

by _____

Name:
Title:

EXHIBIT D
to the Credit Agreement

[FORM OF]

INDEMNITY, SUBROGATION AND CONTRIBUTION AGREEMENT dated as of July 21, 2005, among ETHAN ALLEN GLOBAL, INC., a Delaware corporation, (the "Borrower"), each Subsidiary of the Borrower party hereto (collectively, the "Subsidiary Guarantors"), and JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the "Administrative Agent") for the Lenders (as defined herein).

Reference is made to the Credit Agreement dated as of July 21, 2005 (as amended, supplemented or modified from time to time, the "Credit Agreement"), among the Borrower, Ethan Allen Interiors Inc. ("Holdings"), the financial institutions from time to time party thereto, as lenders (the "Lenders") and the Administrative Agent. Capitalized terms used and not defined herein shall have the meanings assigned in the Credit Agreement.

The Lenders have agreed to extend credit to, and each Issuing Bank has agreed to issue Letters of Credit for the account of, the Borrower, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. The Subsidiary Guarantors have guaranteed the obligations of the Borrower pursuant to the Guarantee Agreement. The obligations of the Lenders to extend credit and of each Issuing Bank to issue Letters of Credit under the Credit Agreement are conditioned upon, among other things, the execution and delivery by the Borrower and the Subsidiary Guarantors of an indemnity, subrogation and contribution agreement in the form hereof.

Accordingly, the Borrower, each Subsidiary Guarantor and the Administrative Agent agree as follows:

SECTION 1. Indemnity and Subrogation. In addition to all such rights of indemnity and subrogation as the Subsidiary Guarantors may have under applicable law (but subject to Section 3), the Borrower agrees that in the event a payment shall be made by any Subsidiary Guarantor under the Guarantee Agreement, the

Borrower shall indemnify such Subsidiary Guarantor for the full amount of such payment and such Subsidiary Guarantor shall be subrogated to the rights of the Person to whom such payment shall have been made to the extent of such payment.

SECTION 2. Contribution and Subrogation. Each Subsidiary Guarantor (a "Contributing Guarantor") agrees (subject to Section 3) that, in the event a payment shall be made by any other Subsidiary Guarantor under the Guarantee Agreement and such other Subsidiary Guarantor (the "Claiming Guarantor") shall not have been fully indemnified by the Borrower as provided in Section 1, the Contributing Guarantor shall indemnify the Claiming Guarantor in an amount equal to the amount of such payment multiplied by a fraction, the numerator of which shall be the net worth of the Contributing Guarantor on the date hereof (or, in the case of any Subsidiary Guarantor becoming a party hereto pursuant to Section 14, the date

of the Supplement hereto executed and delivered by such Subsidiary Guarantor) and the denominator of which shall be the aggregate net worth of all the Subsidiary Guarantors on the date hereof (or the date of execution and delivery of such Supplement). Any Contributing Guarantor making any payment to a Claiming Guarantor pursuant to this Section 2 shall be subrogated to the rights of such Claiming Guarantor under Section 1 to the extent of such payment.

SECTION 3. Subrogation. Notwithstanding any provision of this Agreement to the contrary, all rights of the Subsidiary Guarantors under Sections 1 and 2 and all other rights of indemnity, contribution or subrogation under applicable law or otherwise shall be fully subordinated to the indefeasible payment in full of the Obligations. No failure on the part of the Borrower or any Subsidiary Guarantor to make the payments required by Sections 1 and 2 (or any other payments required under applicable law or otherwise) shall in any respect limit the obligations and liabilities of any Subsidiary Guarantor with respect to any Guarantee, and each Subsidiary Guarantor shall remain liable for the full amount of the obligations of such Guarantor under each such Guarantee.

SECTION 4. Termination. This Agreement shall terminate when all Obligations have been indefeasibly paid in full, no Letters of Credit are outstanding and the Lenders and each Issuing Bank have no further Commitments under the Credit Agreement.

SECTION 5. Continued Effectiveness. This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by any Lender or Issuing Bank or any Subsidiary Guarantor upon the bankruptcy or reorganization of the Borrower, any Subsidiary Guarantor or otherwise.

SECTION 6. **GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.**

SECTION 7. Waivers; Amendment. Except for the operation of Section 14 of this Agreement, neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into between the Subsidiary Guarantors and the Administrative Agent, with the prior written consent of the Required Lenders.

SECTION 8. Notices. All communications and notice hereunder shall be in writing and given as provided in the Credit Agreement, except that to any Subsidiary Guarantor, communication and notice shall be directed to the address set forth in or pursuant to the Guarantee Agreement.

SECTION 9. Binding Agreement; Assignments. This Agreement shall become effective as to each of the Borrower or any Subsidiary Guarantor when a counterpart hereof executed on behalf of the Borrower or such Subsidiary Guarantor shall have been delivered (by electronic transmission or otherwise) to the Administrative Agent and a counterpart hereof shall have been executed on behalf of the Administrative Agent, and thereafter shall be binding upon each of the Borrower or such Subsidiary Guarantor and the Administrative Agent and their

respective successors and permitted assigns, and shall inure to the benefit of such Subsidiary Guarantor and the Lenders and their respective successors and assigns, except that no Subsidiary Guarantor shall have the right to assign its rights or obligations hereunder or any interest herein (and any such attempted assignment shall be void), except as expressly contemplated by this Agreement or the other Loan Documents. Notwithstanding the foregoing, at the time any Subsidiary Guarantor is released from its obligations under the Guarantee Agreement in accordance with such Guarantee Agreement and the Credit Agreement, such Subsidiary Guarantor shall cease to have any rights or obligations under this Agreement.

SECTION 10. Successors and Assigns. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and permitted assigns of such party, and all covenants, promises and agreements by or on behalf of each of the Borrower or any Subsidiary Guarantor that are contained in this Agreement shall bind and inure to the benefit of their respective successors and permitted assigns.

SECTION 11. Survival of Agreement; Severability. (a) All covenants, agreements and representations and warranties made by the Borrower and each Subsidiary Guarantor herein and in the certificates or other instruments prepared or delivered in connection with this Agreement shall be considered to have been relied upon by the Lenders and each Subsidiary Guarantor and shall survive the making by the Lenders of the Loans and the issuance of Letters of Credit by any Issuing Bank, and shall continue in full force and effect as long as any Obligation is outstanding and unpaid and as long as the Commitments have not been terminated.

(b) In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, no party hereto shall be required to comply with such provision for so long as such provision is held to be invalid, illegal or unenforceable, but the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 12. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument.

SECTION 13. Rules of Interpretation. The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this Agreement.

SECTION 14. Additional Guarantors. Pursuant to the Credit Agreement, certain Subsidiaries of the Borrower that were not in existence or not Subsidiaries on the date of the Credit Agreement are required to enter into the Guarantee Agreement as Guarantors upon becoming Subsidiaries. Upon execution and delivery, after the date hereof, by the Administrative Agent and such a Subsidiary of an instrument in the form of Annex 1 to this Agreement, such Subsidiary shall become a Subsidiary Guarantor hereunder with the same force and effect as if

originally named as a Subsidiary Guarantor hereunder. The execution and delivery of any instrument adding an additional Subsidiary Guarantor as a party to this Agreement shall not require the consent of the Borrower or any Subsidiary Guarantor hereunder. The rights and obligations of the Borrower and each Subsidiary Guarantor as a party to this Agreement shall remain in full force and effect notwithstanding the addition of any new Subsidiary Guarantor as a party to this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized offers as of the date first appearing

above.

ETHAN ALLEN GLOBAL, INC.,

by _____

Name:
Title:

EACH SUBSIDIARY GUARANTOR
LISTED ON SCHEDULE I HERETO,

by _____

Name:
Title:

JPMORGAN CHASE BANK, N.A., as
Administrative Agent,

by _____

Name:
Title:

SCHEDULE I
to the Indemnity, Subrogation and
Contribution Agreement

Subsidiary Guarantors

1.	Ethan Allen Operations, Inc.	Ethan Allen Drive Danbury, Connecticut 06811
2.	Lake Avenue Associates, Inc.	Ethan Allen Drive Danbury, Connecticut 06811
3.	Manor House, Inc.	Ethan Allen Drive Danbury, Connecticut 06811
4.	Riverside Water Works, Inc.	Ethan Allen Drive Danbury, Connecticut 06811
5.	Ethan Allen Realty LLC	Ethan Allen Drive Danbury, Connecticut 06811
6.	Ethan Allen Retail, Inc.	Ethan Allen Drive Danbury, Connecticut 06811

ANNEX I
to the Indemnity, Subrogation and
Contribution Agreement

SUPPLEMENT NO. dated as of , 200_, to the Indemnity, Subrogation and Contribution Agreement dated as of July 21, 2005 (as amended and supplemented through the date hereof, the "Indemnity, Subrogation and Contribution Agreement"), among ETHAN ALLEN GLOBAL, INC., a Delaware corporation (the "Borrower"), certain subsidiaries of the Borrower (the "Subsidiary Guarantors") and JPMORGAN CHASE BANK, N.A., as administrative agent (the "Administrative Agent").

A. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Guarantee Agreement.

B. The Borrower and the Subsidiary Guarantors have entered into the Indemnity, Subrogation and Contribution Agreement in order to induce the Lenders to extend credit to, and to induce each Issuing Bank to issue Letters of Credit for the account of, the Borrower pursuant to the Credit Agreement. The Indemnity, Subrogation and Contribution Agreement provides that additional Subsidiaries may become Subsidiary Guarantors under the Indemnity, Subrogation and Contribution Agreement by execution and delivery of an instrument in the form of this Supplement. Pursuant to the Credit Agreement, the undersigned Subsidiary (the "New Subsidiary Guarantor") is required to become a Subsidiary Guarantor under the Indemnity, Subrogation and Contribution Agreement. The New Subsidiary Guarantor desires to become a Subsidiary Guarantor and Guarantor under the Indemnity, Subrogation and Contribution Agreement in order to induce the Lenders to continue to extend credit and the Issuing Bank to issue Letters of Credit under the Credit Agreement and as consideration therefor.

Accordingly, the Administrative Agent and the New Subsidiary Guarantor agree as follows:

SECTION 1. In accordance with the Indemnity, Subrogation and Contribution Agreement, the New Subsidiary Guarantor by its signature hereto shall become a Subsidiary Guarantor and Guarantor under the Indemnity, Subrogation and Contribution Agreement with the same force and effect as if originally named therein as a Subsidiary Guarantor and Guarantor and the New Subsidiary Guarantor hereby agrees to all the terms and provisions of the Indemnity, Subrogation and Contribution Agreement applicable to it as a Subsidiary Guarantor and Guarantor thereunder. Each reference to a "Guarantor" or a "Subsidiary Guarantor" in the Indemnity, Subrogation and Contribution Agreement shall

be deemed to include the New Subsidiary Guarantor. The Indemnity, Subrogation and Contribution Agreement is hereby incorporated herein by reference.

SECTION 2. This Supplement shall become effective when the Administrative Agent shall have received (by electronic transmission or otherwise) a counterpart of this Supplement executed on behalf of the New Subsidiary Guarantor.

SECTION 3. The New Subsidiary Guarantor hereby represents and warrants that (i) this Supplement has been duly authorized, executed and delivered by the New Subsidiary Guarantor and constitutes a legal, valid and binding obligation of the New Subsidiary Guarantor, enforceable against it in accordance with its terms, and (ii) set forth under its signature hereto is its address for purposes of notices under the Indemnity, Subrogation and Contribution Agreement, which information supplements Schedule I to the Indemnity, Subrogation and Contribution Agreement and shall be deemed a part thereof for all purposes of the Indemnity, Subrogation and Contribution Agreement.

SECTION 4. Except as expressly supplemented hereby, the Indemnity, Subrogation and Contribution Agreement shall remain in full force and effect in accordance with its terms.

SECTION 5. THIS SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Indemnity, Subrogation and Contribution Agreement shall not in any way be affected or impaired. The parties hereto shall endeavor in good-faith negotiations to replace any invalid, illegal or unenforceable provisions herein with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. This Supplement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument.

SECTION 8. The New Subsidiary Guarantor agrees to reimburse the Administrative Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees and expenses of counsel for the Administrative Agent.

IN WITNESS WHEREOF, the New Subsidiary Guarantor and the Administrative Agent have duly executed this Supplement to the Indemnity, Subrogation and Contribution Agreement as of the day and year first above written.

[NAME OF NEW SUBSIDIARY GUARANTOR],

by _____

Name:
Title:

Address _____
_____
_____

JPMORGAN CHASE BANK, N.A., as Administrative Agent,

by _____

Name:
Title:

ETHAN ALLEN INTERIORS INC.

THIRD AMENDMENT TO

AMENDED AND RESTATED 1992 STOCK OPTION PLAN

This Third Amendment to the Amended and Restated 1992 Stock Option Plan (as amended and restated, the "Plan") of Ethan Allen Interiors Inc. (the "Company") is dated as of November 17, 2003 (this "Amendment").

WHEREAS, the Board of Directors (the "Board") of the Company adopted the Plan on March 23, 1993 to advance the interest of the Company and its subsidiaries, to strengthen the Company's ability to attract and retain its directors and employees and to provide such directors and employees with an opportunity to acquire an equity interest in the Company;

WHEREAS, the Plan was amended as of November 4, 1996, amended and restated as of October 28, 1997, amended as of December 11, 1998 and amended as of December 23, 1999, in connection with prior shareholder solicitations;

WHEREAS, in the past, the Board has granted awards to Non-employee Directors pursuant to Section 6 of the Plan, in lieu of awards being granted pursuant to Section 5 of the Plan; and the Board currently expects that it will continue to grant awards to Non-employee Directors pursuant to Section 6 of the Plan (rather than awards being granted pursuant to Section 5 of the Plan), with the amount and terms of such awards to be determined by the Board from time to time; and the Company desires to amend the Plan to reflect such practice;

NOW, THEREFORE, the Plan is hereby amended to substitute the following for Section 5 of the Plan:

"5. Awards to Non-employee Directors.

5.1 Stock Options awarded under the Plan to Non-employee Directors (as defined below) shall be determined from time to time by the Company's Board of Directors in accordance with Section 6 of the Plan. For purposes of the Plan, the term 'Non-employee Director' means a person who is not an executive or an employee of the Company and its subsidiaries."

[FORM OF]

OPTION AGREEMENT

GRANTS TO INDEPENDENT DIRECTORS

THIS AGREEMENT, dated as of the of ("Grant Date") and entered into by and between Ethan Allen Interiors Inc. (the "Company") and (the "Participant"),

WITNESSETH THAT:

WHEREAS, the Company maintains the Amended and Restated 1992 Stock Option Plan, as amended from time to time (the "Plan"); and

WHEREAS, the Participant is an "Independent Director" who has been selected to receive an award of options under the Plan; and

WHEREAS, to the extent not specified in the Plan, the terms of the award have been determined by the Committee and are set forth in this Agreement;

NOW THEREFORE, IT IS AGREED between the Company and the Participant as follows:

1. Award; Option Price. The Participant is hereby awarded, as of the Grant Date the Option to purchase shares of Common Stock. The Option Price of each share of Common Stock subject to the Stock Option shall be $ (closing price as of the).

2. Vesting; Forfeitures. The Stock Option shall become exercisable in accordance with the following schedule:

Number of Shares	**Date**
50%	First Anniversary
100%	Second Anniversary

The Stock Option shall be forfeited as of the date of the Participant's service as an "Independent Director" of the Company terminates for any reason to the extent that it is not then exercisable pursuant to the foregoing schedule.

3. Exercise. Subject to the terms of this Agreement and the Plan, the Stock Option may be exercised in accordance with the following:

(a) To the extent that it is exercisable, the Stock Option may be exercised in whole or in part at any time prior to the Expiration Date (as defined in paragraph 4); provided, however that, the Stock Option may only be exercised with respect to whole shares of Common Stock.

(b) The Stock Option may be exercised with respect to no less than 100 shares of Common Stock, or if less than 100 shares are then exercisable, the number of whole shares then exercisable.

(c) Payment of the Option Price (and the amount of any required taxes) may be made by cash or check in an amount equal to the aggregate Option Price (and the amount of any required taxes).

4. Expiration Date. For purposes of this Agreement, the "Expiration Date" shall be the close of business on the earlier of the following dates (or if such date is not a business day, the last business day preceding such date):

(a) the date which is 10 years from ; or

(b) the date which is 90 days after the Participant's service as an "Independent Director" of the Company is terminated for any reason.

5. Defined Terms; Terms of Plan. Unless the context clearly indicates otherwise, defined terms as used in this Agreement shall have the same meaning as ascribed to those terms under the Plan. Notwithstanding any other provision of this Agreement, the terms of the Plan shall govern and the Stock Option shall be subject, in all respects, to the terms and conditions of the Plan.

6. Counterparts. This Agreement may be exercised in counterparts.

IN WITNESS WHEREOF, the Participant has hereunto set his hand and the Company has caused these presents to be executed in its name and on its behalf, all as of the date first above written.

_____

, Participant

ETHAN ALLEN INTERIORS INC.

By _____

Its President and CEO

[FORM OF]

OPTION AGREEMENT

GRANTS TO EMPLOYEES

THIS AGREEMENT, dated as of the day of ("Grant Date") and entered into by and between Ethan Allen Interiors Inc. (the "Company") and the undersigned (the "Participant"),

WITNESSETH THAT:

WHEREAS, the Company maintains the Amended and Restated 1992 Stock Option Plan, as amended from time to time, (the "Plan"); and

WHEREAS, the Participant has been selected by the Compensation Committee of the Board of Directors of the Company (the "Committee") to receive an award under the Plan; and

WHEREAS, to the extent not specified in the Plan, the terms of the award have been determined by the Committee and are set forth in this Agreement;

NOW THEREFORE, IT IS AGREED between the Company and the Participant as follows:

1. Award; Option Price. The Participant is hereby awarded, as of the Grant Date, the Option to purchase shares of Common Stock. The Option Price of each share of Common Stock subject to the Stock Option shall be $____.

2. Vesting; Forfeitures. The Stock Option shall become exercisable in accordance with the following schedule:

Number of Shares	Date
25%	First Anniversary
25%	Second Anniversary
25%	Third Anniversary
25%	Fourth Anniversary

The Stock Option shall be forfeited as of the date of the Participant's employment with the Company and its subsidiaries terminates for any reason to the extent that such Options have not vested and are not then exercisable pursuant to the foregoing schedule.

3. Exercise. Subject to the terms of this Agreement and the Plan, the Stock Option may be exercised in accordance with the following:

(a) To the extent that it is exercisable, the Stock Option may be exercised in whole or in part at any time prior to the Expiration Date (as defined in paragraph 4); provided, however, that the Stock Option may only be exercised with respect to whole shares of Common Stock.

(b) The Stock Option may be exercised with respect to no less than 100 shares of Common Stock, or if less than 100 shares are then exercisable, the number of whole shares then exercisable.

(c) Payment of the Option Price (and the amount of any required taxes) may be made by cash or check or by the delivery of shares of Common Stock having a Fair Market Value equal to the aggregate Option Price (and the amount of any required taxes).

4. Expiration Date. For purposes of this Agreement, the "Expiration Date" shall be the close of business on the earlier of the following dates (or if such date is not a business day, the last business day preceding such date):

(a) the date which is 10 years from the Grant Date; or

(b) the date which is 90 days after the Participant's employment with the Company and its subsidiaries is terminated for any reason.

5. Defined Terms; Terms of Plan. Unless the context clearly indicates otherwise, defined terms as used in this Agreement shall have the same meaning as ascribed to those terms under the Plan. Notwithstanding any other provision of this Agreement, the terms of the Plan shall govern and the Stock Option shall be subject, in all respects, to the terms and conditions of the Plan.

6. Counterparts. This Agreement may be exercised in counterparts.

IN WITNESS WHEREOF, the Participant has hereunto set his hand and the Company has caused these presents to be executed in its name and on its behalf, all as of the date first above written.

_____
Participant

ETHAN ALLEN INTERIORS INC.

By _____
Its President and CEO

Exhibit 21

ETHAN ALLEN INTERIORS INC.

List of Subsidiaries (9-12-05)

Name of Entity	State
Baumritter Corporation	DE
EA-DV, Inc.	TX
Ethan Allen (Canada) Inc.	Canada
Ethan Allen (UK)Limited	United Kingdom
Ethan Allen Carriage House, Inc.	PA
Ethan Allen Global, Inc.	DE
Ethan Allen Marketing Corporation	DE
Ethan Allen Retail, Inc.	DE
Ethan Allen Operations, Inc.	DE
Ethan Allen Realty, LLC	DE
Ethan Allen.com Inc.	DE
KEA International, Inc.	NY
Lake Avenue Associates, Inc.	CT
Manor House, Inc.	DE
Northeast Consolidated, Inc.	VT
Riverside Water Works, Inc.	VT

EXHIBIT 23

REPORT AND CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Ethan Allen Interiors Inc.:

The audits referred to in our report dated September 8, 2005, with respect to the consolidated financial statements of Ethan Allen Interiors Inc. and Subsidiaries, management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting, included the related financial statement schedule as of June 30, 2005, and for each of the years in the three-year period ended June 30, 2005, included in the Ethan Allen Interiors Inc. Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We consent to the incorporation by reference in the registration statements (Nos. 333-47935 and 333-26949) on Form S-8 of Ethan Allen Interiors Inc. of our report dated September 8, 2005, with respect to the consolidated balance sheets of Ethan Allen Interiors Inc. and Subsidiaries as of June 30, 2005 and 2004, 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, 2005, and the related financial statement schedule, and management's assessment of the effectiveness of internal control over financial reporting as of June 30, 2005, and the effectiveness of internal control over financial reporting as of June 30, 2005, which reports appear in the June 30, 2005 annual report on Form 10-K of Ethan Allen Interiors Inc.

/s/ KPMG LLP

Stamford, Connecticut
September 8, 2005

Exhibit 31.1

RULE 13a-14(a) CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, M. Farooq Kathwari, do hereby certify that:

(1) I have reviewed this Annual Report on Form 10-K as filed by Ethan Allen Interiors Inc. (the "Company");

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

(4) The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

(5) The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ M. Farooq Kathwari
(M. Farooq Kathwari)

Chairman, President and
Chief Executive Officer

September 12, 2005

Exhibit 31.2

RULE 13a-14(a) CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jeffrey Hoyt, do hereby certify that:

(1) I have reviewed this Annual Report on Form 10-K as filed by Ethan Allen Interiors Inc. (the "Company");

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

(4) The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

(5) The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ Jeffrey Hoyt
_____
(Jeffrey Hoyt)

Vice President, Finance
and Treasurer

September 12, 2005

Exhibit 32.1

SECTION 1350 CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, M. Farooq Kathwari, hereby certify that the June 30, 2005 Annual Report on Form 10-K as filed by Ethan Allen Interiors Inc. (the "Company"), which contains the Company's financial statements, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that information contained in such Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ M. Farooq Kathwari
(M. Farooq Kathwari)

Chairman, President and
Chief Executive Officer

September 12, 2005

Exhibit 32.2

SECTION 1350 CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jeffrey Hoyt, hereby certify that the June 30, 2005 Annual Report on Form 10-K as filed by Ethan Allen Interiors Inc. (the "Company"), which contains the Company's financial statements, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that information contained in such Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey Hoyt — Vice President, Finance & Treasurer

(Jeffrey Hoyt)

September 12, 2005