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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2007

OR

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

For the transition period from _____ to _____

Commission File Number: 1-11692

Ethan Allen Interiors Inc.

(Exact name of registrant as specified in its charter)

Delaware	06-1275288
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Ethan Allen Drive, Danbury, Connecticut	06811
(Address of principal executive offices)	(Zip Code)

(203) 743-8000

(Registrants telephone number, including area code)

N/A

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

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

[X] Yes [ ] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

[ ] Yes [X] No

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

At September 30, 2007, there were 29,767,645 shares of Class A Common Stock, par value $.01, outstanding

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands, except share data)

	September 30, 2007 (unaudited)	June 30, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 133,484	$ 147,879
Accounts receivable, less allowance for doubtful accounts of $2,093 at September 30, 2007 and $2,042 at June 30, 2007	14,255	14,602
Inventories (note 4)	181,297	181,884
Prepaid expenses and other current assets	29,572	33,104
Deferred income taxes	4,464	4,960
Total current assets	363,072	382,429
Property, plant and equipment, net	326,460	322,185
Goodwill and other intangible assets (notes 6 and 7)	92,656	92,500
Other assets (note 8)	5,246	5,484
Total assets	$ 787,434	$ 802,598
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt (note 8)	$ 40	$ 40
Customer deposits	56,216	52,072
Accounts payable	25,184	26,650
Accrued compensation and benefits	36,656	35,243
Accrued expenses and other current liabilities (note 5)	31,469	33,434
Total current liabilities	149,565	147,439
Long-term debt (note 8)	202,899	202,868
Other long-term liabilities (note 3)	21,144	12,003
Deferred income taxes	30,199	30,646
Total liabilities	403,807	392,956

Shareholders equity:		
Class A common stock, par value $.01, 150,000,000 shares authorized; 48,217,915 shares issued at September 30, 2007 and 47,454,450 shares issued at June 30, 2007	482	474
Class B common stock, par value $.01, 600,000 shares authorized; no shares issued and outstanding at September 30, 2007 and June 30, 2007	-	-
Preferred stock, par value $.01, 1,055,000 shares authorized; no shares issued and outstanding at September 30, 2007 and June 30, 2007	-	-
Additional paid-in capital	353,418	330,268
	353,900	330,742
Less: Treasury stock (at cost), 18,450,270 shares at September 30, 2007 and 16,644,582 shares at June 30, 2007	(557,307)	(496,005)
Retained earnings	585,168	573,535
Accumulated other comprehensive income (notes 8 and 11)	1,866	1,370
Total shareholders equity	383,627	409,642
Total liabilities and shareholders equity	$ 787,434	$ 802,598

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(Unaudited)

(In thousands, except per share data)

	Three Months Ended September 30, 2007	2006
Net sales	$ 248,727	$ 242,823
Cost of sales	115,270	116,494
Gross profit	133,457	126,329
Operating expenses:		
Selling	57,578	55,038
General and administrative	48,082	43,125
Restructuring and impairment charge, net (note 5)	-	13,936
Total operating expenses	105,660	112,099
Operating income	27,797	14,230
Interest and other miscellaneous income, net	2,922	2,232
Interest and other related financing costs (note 8)	2,935	2,938
Income before income taxes	27,784	13,524
Income tax expense	10,280	5,072
Net income	$ 17,504	$ 8,452
Per share data (note 10):		
Basic earnings per common share:		
Net income per basic share	$ 0.58	$ 0.27
Basic weighted average common shares	30,084	31,815
Diluted earnings per common share:		
Net income per diluted share	$ 0.57	$ 0.26
Diluted weighted average common shares	30,464	32,631

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Three Months Ended September 30,	
	2007	2006
Operating activities:		
Net income	$ 17,504	$ 8,452
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,937	5,604
Compensation expense related to share-based awards	132	218
Provision (benefit) for deferred income taxes	49	(1,683)
Excess tax benefits from share-based payment arrangements	(2,081)	(1,643)
Restructuring and impairment charge, net	-	9,933
(Gain) loss on disposal of property, plant and equipment	(552)	396
Other	69	284
Change in assets and liabilities, net of the effects of acquired businesses:		
Accounts receivable	347	1,251
Inventories	587	10,669
Prepaid expenses and other current assets	1,509	(1,319)
Other assets	142	458
Customer deposits	4,144	(988)
Accounts payable	1,970	(2,472)
Accrued expenses and other current liabilities	2,552	6,109
Other long-term liabilities	9,141	31
Net cash provided by operating activities	41,450	35,300
Investing activities:		
Proceeds from the disposal of property, plant and equipment	5,063	42
Capital expenditures	(12,545)	(15,652)
Acquisitions	(705)	(6,209)
Other	6	38
Net cash used in investing activities	(8,181)	(21,781)
Financing activities:		
Payments on long-term debt	(9)	(10)
Proceeds from issuance of common stock	307	93
Excess tax benefits from share-based payment arrangements	2,081	1,643
Payment of deferred financing costs	-	(107)
Payment of cash dividends	(6,185)	(5,790)
Purchases and other retirements of company stock	(44,101)	(19,536)
Net cash used in financing activities	(47,907)	(23,707)
Effect of exchange rate changes on cash	243	23
Net decrease in cash and cash equivalents	(14,395)	(10,165)
Cash and cash equivalents - beginning of period	147,879	173,801
Cash and cash equivalents - end of period	$133,484	$163,636

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders Equity

Three Months Ended September 30, 2007

(Unaudited)

(In thousands, except share data)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at June 30, 2007	$ 474	$330,268	$(496,005)	$ 1,370	$573,535	$409,642
Issuance of 763,465 shares of common stock upon exercise of share-based awards	8	20,937	-	-	-	20,945
Compensation expense associated with share-based awards	-	132	-	-	-	132
Tax benefit associated with exercise of share-based awards	-	2,081	-	-	-	2,081
Purchase/retirement of 1,805,688 shares of company stock	-	-	(61,302)	-	-	(61,302)

FIN 48 transition adjustment (note 3)	-	-	-	-	683	683
Dividends declared on common stock	-	-	-	-	(6,554)	(6,554)
Other comprehensive income (notes 8 and 11):						
Currency translation adjustments	-	-	-	484	-	484
Reclass of loss on cash-flow hedge, net-of-tax	-	-	-	12	-	12
Net income	-	-	-	-	17,504	17,504
Total comprehensive income	-	-	-	-	-	18,000
Balance at September 30, 2007	$ 482	$353,418	$(557,307)	$ 1,866	$585,168	$383,627

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(1) Basis of Presentation

Ethan Allen Interiors Inc. ("Interiors") is a Delaware corporation incorporated on May 25, 1989. The consolidated financial statements include the accounts of Interiors, its wholly-owned subsidiary Ethan Allen Global, Inc. ("Global"), and Globals subsidiaries (collectively "We", "Us", "Our", "Ethan Allen", or the "Company"). All intercompany accounts and transactions have been eliminated in the consolidated financial statements. All of Globals capital stock is owned by Interiors, which has no assets or operating results other than those associated with its investment in Global.

(2) Interim Financial Presentation

All intercompany accounts and transactions have been eliminated in the consolidated financial statements. In our opinion, all adjustments, consisting only of normal recurring adjustments necessary for fair presentation, have been included in the consolidated financial statements. The results of operations for the three months ended September 30, 2007 are not necessarily indicative of results that may be expected for the entire fiscal year. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended June 30, 2007.

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

(3) Income Taxes -- Adoption of FIN 48

Effective July 1, 2007, we adopted Financial Accounting Standards Board ("FASB") Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes*, *an interpretation of FASB Statement No. 109, Accounting for Income Taxes*, which provides a comprehensive model for the recognition, measurement, presentation, and disclosure in a companys financial statements of uncertain tax positions taken, or expected to be taken, on a tax return. Under FIN 48, if an income tax position exceeds a more likely than not (i.e. greater than 50%) probability of success upon tax audit, based solely on the technical merits of the position, the company is to recognize an income tax benefit in its financial statements. The tax benefits recognized are to be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. If it is not more than likely than not that the benefit will be sustained on its technical merits, no benefit is to be recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold for purposes of applying FIN 48. Therefore, if it can be established that the only uncertainty is when an item is taken on a tax return, such positions have satisfied the recognition step for purposes of FIN 48 and uncertainty related to timing should be assessed as part of measurement.

FIN 48 requires that a liability associated with an unrecognized tax benefit be classified as a long-term liability, except for the amount for which a cash payment is expected to be made within one year. Further, companies are required to accrue interest and related penalties, if applicable, on all tax exposures consistent with the respective jurisdictional tax laws.

The adoption of FIN 48 resulted in a non-cash transition (cumulative effect of a change in accounting principle) adjustment of $0.7 million which was recorded as an increase to beginning retained earnings. The transition adjustment is a result, primarily, of tax positions associated with state income tax exposures where the original tax benefit related to periods dating back to 1998. Our continuing practice is to recognize interest and penalties related to income tax matters as a component of income tax

expense.

As of July 1, 2007, we had unrecognized income tax benefits totaling $4.8 million and related accrued interest and penalties of $1.4 million (after related tax benefits), all of which was reclassified from current to long-term liabilities upon adoption. If recognized, essentially all of the unrecognized tax benefits and related interest and penalties would be recorded as a benefit to income tax expense. Since adopting FIN 48, our unrecognized tax benefits and related interest and penalties have increased by $0.3 million and $0.2 million, respectively. We do not currently anticipate significant changes in such amounts over the next twelve months.

As of July 1, 2007, we remained subject to examination in the following major tax jurisdictions for the tax years indicated below:

Major Tax Jurisdictions	Open Audit Years
North America United States:	
New York	1998 through 2006
New Jersey	2001 through 2006
Massachusetts	2001 through 2006
North Carolina	2001 through 2006

(4) Inventories

Inventories at September 30, 2007 and June 30, 2007 are summarized as follows (in thousands):

	September 30, 2007	June 30, 2007
Finished goods	$150,655	$150,994
Work in process	6,290	6,172
Raw materials	24,352	24,718
	$181,297	$181,884

Inventories are presented net of a related valuation allowance of $2.7 million at September 30, 2007 and $2.9 million at June 30, 2007.

(5) Plant Consolidations

In recent years, we have developed, announced and executed plans to consolidate our manufacturing operations as part of an overall strategy to maximize production efficiencies and maintain our competitive advantage.

On September 6, 2006, we announced a plan to close our Spruce Pine, North Carolina case goods manufacturing facility and convert our Atoka, Oklahoma upholstery manufacturing facility into a regional distribution center. In connection with this initiative, we permanently ceased production at both locations, allocating production among our remaining domestic manufacturing locations and selected offshore suppliers. The decision impacted approximately 465 employees with the reduction in headcount occurring during the second and third quarters of fiscal 2007. We recorded a pre-tax restructuring and impairment charge of $14.1 million during the quarter ended September 30, 2006, of which $4.0 million was related to employee severance and benefits and other plant exit costs, and $10.1 million, which was non-cash in nature, was related to fixed asset impairment charges, primarily for real property and machinery and equipment, stemming from the decision to cease production activities. During the three months ended March 31, 2007 and December 31, 2006, adjustments totaling $0.2 million and $0.3 million, respectively, were recorded to reverse remaining previously established accruals which were no longer deemed necessary. There were no restructuring and impairment charges associated with plant consolidations recorded during the three months ended September 30, 2007.

As of September 30, 2007, all restructuring related obligations for severance and employee benefits have been satisfied and any remaining accrual balances which were deemed unnecessary have been reversed. No restructuring reserves remain in the Consolidated Balance Sheets as accrued expenses within current liabilities. Activity with respect to our September 2006 restructuring reserve is summarized as follows (in thousands):

	Original Charges	Cash Payments	Non-cash Utilized	Adjustments	Balance at September 30, 2007
Spruce Pine, NC/Atoka, OK					
Employee severance and other related payroll and benefit costs	$ 3,903	$ (3,455)	$ -	$ (448)	$ -
Other plant exit costs	100	(100)	-	-	-
Write-down of long-lived assets	10,099	-	(10,099)	-	-
	$ 14,102	$ (3,555)	$ (10,099)	$ (448)	$ -

(6) Business Acquisitions

In September 2006, we acquired, in a single transaction, two Ethan Allen retail design centers from an independent retailer for total consideration of approximately $6.3 million. As a result of this acquisition, we recorded additional inventory and other assets (primarily real estate) of $0.9 million and $5.5 million, respectively, and assumed customer deposits and other liabilities of $0.4 million and $0.1 million, respectively. Goodwill associated with this acquisition totaled $0.4 million. There were no acquisitions completed during the three months ended September 30, 2007. However, the Consolidated Statements of Cash Flows reflect $0.6 million of consideration paid during the period in connection with the acquisition of a retail design center with an effective (closing) date of June 30, 2007 and for which funding did not occur until July 2, 2007.

All acquisitions are subject to a contractual holdback, or reconciliation, period, during which the parties to the transaction may agree to certain normal and customary purchase accounting adjustments.

Goodwill associated with our acquisitions 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. Further discussion of our goodwill and other intangible assets can be found in Note 7.

A summary of our allocation of purchase price associated with acquisitions occurring during the three months ended September 30, 2006 is provided below (in thousands):

Nature of acquisition		2 design centers
Total consideration	$	6,272
Fair value of assets acquired and liabilities assumed:		
Inventory		948
PP&E and other assets		5,460
Customer deposits		(410)
A/P and other liabilities		(109)
Goodwill and other intangible assets	$	383

(7) Goodwill and Other Intangible Assets

As of September 30, 2007, we had goodwill, including product technology, of $73.0 million and other indefinite-lived intangible assets of $19.7 million. Comparable balances as of June 30, 2007 were $72.8 million and $19.7 million, respectively.

Goodwill in the wholesale and retail segments was $45.5 million and $27.5 million, respectively, at September 30, 2007 and $45.3 million and $27.5 million, respectively, at June 30, 2007. The wholesale segment, at both dates, includes additional indefinite-lived intangible assets of $19.7 million which represent Ethan Allen trade names.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, we do not amortize goodwill or other indefinite-lived intangible assets but, rather, evaluate 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. We conduct our required annual impairment test during the fourth quarter of each fiscal year. No impairment losses have been recorded on our goodwill or other indefinite-lived intangible assets as a result of applying the provisions of SFAS No. 142.

(8) Borrowings

Total debt obligations at September 30, 2007 and June 30, 2007 consist of the following (in thousands):

	September 30, 2007	June 30, 2007

5.375% Senior Notes due 2015	$ 198,717	$ 198,677
Industrial revenue bonds	3,855	3,855
Other debt	367	376
Total debt	202,939	202,908
Less: current maturities	40	40
Total long-term debt	$ 202,899	$ 202,868

On September 27, 2005, we completed a private offering of $200.0 million of ten-year senior unsecured notes due 2015 (the "Senior Notes"). The Senior Notes were offered by Global and have an annual coupon rate of 5.375% with interest payable semi-annually in arrears on April 1 and October 1 of each year beginning on April 1, 2006. Proceeds received in connection with the issuance of the Senior Notes, net of a related discount of $1.6 million, totaled $198.4 million. We intend to use the net proceeds from the offering to expand our retail network, invest in our manufacturing and logistics operations, and for other general corporate purposes. As of September 30, 2007, outstanding borrowings related to this transaction have been included in the Consolidated Balance Sheets within long-term debt. The discount on the Senior Notes is being amortized to interest expense over the life of the related debt.

In connection with the offering, debt issuance costs totaling $2.0 million were incurred related, primarily, to banking, legal, accounting, rating agency, and printing services. As of September 30, 2007, these costs have been included in the Consolidated Balance Sheets as deferred financing costs within other assets and are being amortized to interest expense over the life of the Senior Notes.

Also in connection with the issuance of the Senior Notes, Global, in July and August 2005, 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 earnings, cash flows and equity. The forward contracts were entered into with a major banking institution thereby mitigating the risk of credit loss.

Upon issuance of the Senior Notes and settlement of the related forward contracts, losses totaling $0.9 million were incurred representing the change in the fair value of the forward contracts since their respective trade dates. In accordance with SFAS No. 133, as amended, it was determined that a portion of the related losses was the result of hedge ineffectiveness and, as such, $0.1 million of the losses was included, within interest and other related financing costs, in the Consolidated Statement of Operations for the fiscal year ended June 30, 2006. The

balance of the losses has been included (on a net-of-tax basis) in the Consolidated Balance Sheets within accumulated other comprehensive income and is being amortized to interest expense over the life of the Senior Notes. The remaining unamortized balance of these forward contract losses totaled $0.6 million ($0.4 million, net-of-tax) at both September 30, 2007 and June 30, 2007.

(9) Litigation

Environmental Matters

We and our subsidiaries are subject to various environmental laws and regulations. Under these laws, we and/or our 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 September 30, 2007, we and/or our subsidiaries have been named as a potentially responsible party ("PRP") with respect to the remediation of three active sites currently listed, or proposed for inclusion, on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"). The sites are located in Southington, Connecticut; High Point, North Carolina; and Atlanta, Georgia.

In addition, during the fiscal year ended June 30, 2007, our liability with respect to a fourth site located in Lyndonville, Vermont was resolved. We had previously received a certificate of construction completion for this location, subject to certain limited conditions which were the obligation of another PRP. In July 2007, we obtained the final certificate of construction completion advising us that all conditions had been met.

We do not anticipate incurring significant costs with respect to the Southington, Connecticut, High Point, North Carolina, or Atlanta, Georgia sites as we believe that we are not a major contributor based on the very small volume of waste generated by us in relation to total volume at those sites. Specifically, with respect to the Southington site, our 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, our 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 more than 1,000 "de-minimis" parties (of which we are one). With respect to the Atlanta site, a former solvent recycling/reclamation facility, our 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, we could be required to

pay in excess of our pro rata share of incurred remediation costs. Our understanding of the financial strength of other PRPs has been considered, where appropriate, in the determination of our estimated liability.

In addition, in July 2000, we were notified by the State of New York (the "State") that we 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 the State has not yet conducted an initial environmental study at this site.

As of September 30, 2007, we believe 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.

We are subject to other federal, state and local environmental protection laws and regulations and are 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. We believe that our 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, we have 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. We remain 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. We 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.

(10) Earnings Per Share

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

	Three Months Ended September 30,	
	2007	2006
Weighted average common shares outstanding for basic calculation	30,084	31,815
Effect of dilutive stock options and other share-based awards	380	816
Weighted average common shares outstanding, adjusted for diluted calculation	30,464	32,631

As of September 30, 2007 and 2006, stock options to purchase 785,326 and 346,981 common shares, respectively, had exercise prices which exceeded the average market price of our common stock for the corresponding periods. These options have been excluded from the respective diluted earnings per share calculation as their impact is anti-dilutive.

(11) 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, which are generally presented on a net-of-tax basis, may include foreign currency translation adjustments, minimum pension liability adjustments, fair value adjustments (i.e. gains and losses) on certain derivative instruments, and unrealized gains and losses on certain investments in debt and equity securities. We have reported our total comprehensive income in the Consolidated Statements of Shareholders Equity.

Our accumulated other comprehensive income, which is comprised of losses on certain derivative instruments and accumulated foreign currency translation adjustments, totaled $1.9 million at September 30, 2007 and $1.4 million at June 30, 2007. Losses on derivative instruments are the result of cash-flow hedging contracts entered into in connection with the issuance of the Senior Notes (see Note 8). Foreign currency translation adjustments

are the result of changes in foreign currency exchange rates related to our operation of five Ethan Allen-owned retail design centers 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.

(12) Segment Information

Our operations are classified into two operating segments: wholesale and retail. These operating segments represent strategic business areas which, although they operate separately and provide their own distinctive services, enable us to more effectively offer our complete line of home furnishings and accessories.

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 and accessories to a network of independently-owned and Ethan Allen-owned design centers as well as related marketing and brand awareness efforts. Wholesale revenue is generated upon the wholesale sale and shipment of our product to all retail design centers, including those owned by Ethan Allen. Wholesale profitability includes (i) the wholesale gross margin, which represents the difference between the wholesale sales price and the cost associated with manufacturing and/or sourcing the related product, and (ii) other operating costs associated with wholesale segment activities.

The retail segment sells home furnishings and accessories to consumers through a network of Company-owned design centers. Retail revenue is generated upon the retail sale and delivery of our product to our customers. Retail profitability includes (i) the retail gross margin, which represents the difference between the retail sales price and the cost of goods purchased from the wholesale segment, and (ii) other operating costs associated with retail segment activities.

Inter-segment eliminations result, primarily, from the wholesale sale of inventory to the retail segment, including the related profit margin.

We evaluate performance of the respective segments based upon revenues and operating income. While the manner in which our home furnishings and accessories 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 manufacturing, sourcing, and distribution versus retail selling) are different. Within the wholesale segment, we maintain 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 the three months ended September 30, 2007 and 2006 is provided below:

	Three Months Ended September 30,	
	2007	2006
Case Goods	47%	45%
Upholstered Products	37	39
Home Accessories and Other	16	16
	100%	100%

Revenue information by product line is not as easily determined within the retail segment. However, because wholesale production and sales are matched, for the most part, to incoming orders, we believe that the allocation of retail sales by product line would be similar to that of the wholesale segment.

Segment information for the three months ended September 30, 2007 and 2006 is set forth below (in thousands):

	Three Months Ended September 30,	
	2007	2006
Net Sales:		
Wholesale segment	$ 156,323	155,641
Retail segment	182,754	165,970
Elimination of inter-company sales	(90,350)	(78,788)
Consolidated Total	$ 248,727	$ 242,823
Operating Income:		
Wholesale segment(1)	$ 26,780	$ 11,424
Retail segment	899	2,843
Adjustment of inter-company profit (2)	118	(37)
Consolidated Total	$ 27,797	$ 14,230

Capital Expenditures:		
Wholesale segment	$ 2,044	$ 2,758
Retail segment	10,501	12,894
Acquisitions (3) (4)	96	6,209
Consolidated Total	$ 12,641	$ 21,861

	September 30, 2007	June 30, 2007
Total Assets:		
Wholesale segment	$ 396,476	416,237
Retail segment	429,885	425,382
Inventory profit elimination (5)	(38,927)	(39,021)
Consolidated Total	$ 787,434	$ 802,598

(1) Operating income for the wholesale segment for the three months ended September 30, 2006 includes a pre-tax restructuring and impairment charge, net of $13.9 million.
(2) Represents the change in the inventory profit elimination entry necessary to adjust for the embedded wholesale profit contained in Ethan Allen-owned design center inventory existing at the end of the period. See footnote 5 below.
(3) Amount reflected as acquisitions for 2007 excludes the purchase (for consideration totaling $0.6 million) of a retail design center with an effective (closing) date of June 30, 2007 and for which funding did not occur until July 2, 2007.
(4) Amount reflected as acquisitions for 2006 includes the purchase of 2 retail design centers.
(5) Represents the embedded wholesale profit contained in Ethan Allen-owned design center inventory that has not yet been realized. These profits are realized when the related inventory is sold.

There are 37 independent retail design centers located outside the United States. Approximately 2% of our net sales are derived from sales to these retail design centers.

(13) Subsequent Events

Business Acquisitions

On October 1, 2007, we acquired, in a single transaction, two Ethan Allen retail design centers from an independent retailer for total consideration of approximately $2.1 million. As a result of this acquisition, we recorded additional inventory and other assets of $1.9 million and $0.4 million, respectively, and assumed customer deposits and other liabilities of $1.1 million and $0.1 million, respectively. Goodwill associated with this acquisition totaled $1.0 million.

On October 25, 2007, Ethan Allen Operations, Inc., a wholly-owned subsidiary of Global, acquired a cut and sew upholstery facility from Americraft Leather for total consideration of approximately $4.4 million. The facility, which contains 40,000 square feet of manufacturing space and employs 165 people, is located in Silao, in the state of Guanajuato, Mexico. As a result of this acquisition, we recorded additional property, plant and equipment of $2.7 million, and inventory of $1.1 million. Goodwill associated with this acquisition totaled $0.6 million.

Stock Repurchases and Remaining Authorization

Subsequent to September 30, 2007 and through November 2, 2007, we repurchased, in 3 separate open market transactions, an additional 0.3 million shares of our common stock at a total cost of $7.8 million, representing an average price per share of $30.10. As of November 2, 2007, we had a remaining Board authorization to repurchase 1.8 million shares.

Employment Agreement / Share-Based Awards

On October 10, 2007, the Companys Board of Directors and M. Farooq Kathwari, our President and Chief Executive Officer, agreed to the terms of a new employment agreement expiring on June 30, 2012 (the "Agreement"). Pursuant to the terms of the Agreement, Mr. Kathwari was awarded, on October 10, 2007, options to purchase 150,000 shares of our common stock. These options were issued at an exercise price of $34.03 (the closing price of a share of our common stock on the New York Stock Exchange as of such date), and vest ratably over a 3-year period. The Agreement provides for additional grants of 90,000 and 60,000 shares on July 1, 2008 and July 1, 2009, respectively, with exercise prices equal to the closing price of a share of our common stock on the New York Stock Exchange as of such dates. The 2008 grant will vest ratably over a 2-year period and the 2009 grant will vest ratably over a 1-year period. All options awarded under the Agreement have a contractual term of 10 years.

(14) Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which provides a single definition of fair value, and requires additional disclosure about the use of fair value to measure assets and liabilities. SFAS No. 157 emphasizes that fair value is a market-based measurement defined as the price that would be received to sell an asset or liability in an orderly transaction between market participants at the measurement date. Thus, SFAS No. 157 adheres to a definition of fair value based upon exit-price as opposed to entry-price (i.e. the price paid to acquire an asset or liability). This authoritative guidance is effective for fiscal years beginning after November 15, 2007 (July 1, 2008 for

the Company). As such, we are currently in the process of evaluating the impact of this authoritative guidance on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which allows the Company to choose to measure selected financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 (July 1, 2008 for the Company). As such, we are currently in the process of evaluating the impact of this authoritative guidance on our consolidated financial statements.

(15) Financial Information About the Parent, the Issuer and the Guarantors

On September 27, 2005, Global (the "Issuer") issued $200 million aggregate principal amount of Senior Notes which have been guaranteed on a senior basis by Interiors (the "Parent"), and other wholly-owned subsidiaries of the Issuer and the Parent, including Ethan Allen Retail, Inc., Ethan Allen Operations, Inc., Ethan Allen Realty, LLC, Lake Avenue Associates, Inc. and Manor House, Inc. The subsidiary guarantors (other than the Parent) are collectively called the "Guarantors". The guarantees of the Guarantors are unsecured. All of the guarantees are

full, unconditional and joint and several and the Issuer and each of the Guarantors are 100% owned by the Parent. Ethan Allen (UK) Ltd., KEA International Inc. (which was legally dissolved in January 2007), Northeast Consolidated, Inc. (which was legally dissolved in June 2007), Riverside Water Works, Inc. (which was legally dissolved in June 2007), and our other subsidiaries which are not guarantors are called the "Non-Guarantors".

The following tables set forth the condensed consolidating balance sheets as of September 30, 2007 and June 30, 2007, the condensed consolidating statements of operations for the three months ended September 30, 2007 and 2006, and the condensed consolidating statements of cash flows for the three months ended September 30, 2007 and 2006 of the Parent, the Issuer, the Guarantors and the Non-Guarantors.

CONDENSED CONSOLIDATING BALANCE SHEET
(in thousands)
September 30, 2007

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$ -	$ 128,830	$ 4,654	$ -	$ -	$ 133,484
Accounts receivable, net	-	13,800	442	13	-	14,255
Inventories	-	-	220,224	-	(38,927)	181,297
Prepaid expenses and other current assets	-	13,355	20,681	-	-	34,036
Intercompany	-	638,543	201,864	-	(840,407)	-
Total current assets	-	794,528	447,865	13	(879,334)	363,072
Property, plant and equipment, net	-	11,639	314,821	-	-	326,460
Goodwill and other intangible assets	-	37,905	54,751	-	-	92,656
Other assets	-	4,062	1,184	-	-	5,246
Investment in affiliated companies	620,894	142,534	-	-	(763,428)	-
Total assets	$ 620,894	$ 990,668	$ 818,621	$ 13	$(1,642,762)	$ 787,434
Liabilities and Shareholders' Equity						
Current liabilities:						
Current maturities of long-term debt	$ -	$ -	$ 40	$ -	$ -	$ 40
Customer deposits	-	-	56,216	-	-	56,216
Accounts payable	-	6,531	18,653	-	-	25,184
Accrued expenses and other current liabilities	6,683	43,337	18,105	-	-	68,125
Intercompany	232,450	43,443	564,462	52	(840,407)	-
Total current liabilities	239,133	93,311	657,476	52	(840,407)	149,565
Long-term debt	-	198,717	4,182	-	-	202,899

Other long-term liabilities	-	9,005	12,139	-	-	21,144
Deferred income taxes	-	30,199	-	-	-	30,199
Total liabilities	239,133	331,232	673,797	52	(840,407)	403,807
Shareholders' equity	381,761	659,436	144,824	(39)	(802,355)	383,627
Total liabilities and shareholders' equity	$ 620,894	$ 990,668	$ 818,621	$ 13	$(1,642,762)	$ 787,434

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET
(in thousands)
June 30, 2007

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$ -	$ 142,253	$ 5,626	$ -	$ -	$ 147,879
Accounts receivable, net	-	14,118	471	13	-	14,602
Inventories	-	-	210,146	10,759	(39,021)	181,884
Prepaid expenses and other current assets	-	15,743	21,969	352	-	38,064
Intercompany	-	591,102	195,444	-	(786,546)	-
Total current assets	-	763,216	433,656	11,124	(825,567)	382,429
Property, plant and equipment, net	-	11,104	311,081	-	-	322,185
Goodwill and other intangible assets	-	37,905	54,595	-	-	92,500
Other assets	-	4,299	1,185	-	-	5,484
Investment in affiliated companies	600,453	149,524	-	-	(749,977)	-
Total assets	$ 600,453	$ 966,048	$ 800,517	$ 11,124	$(1,575,544)	$ 802,598
Liabilities and Shareholders' Equity						
Current liabilities:						
Current maturities of long-term debt	$ -	$ -	$ 40	$ -	$ -	$ 40
Customer deposits	-	-	52,072	-	-	52,072
Accounts payable	3,436	6,509	12,732	3,973	-	26,650
Accrued expenses and other current liabilities	6,286	47,471	14,920	-	-	68,677
Intercompany	182,458	43,443	553,479	7,166	(786,546)	-
Total current liabilities	192,180	97,423	633,243	11,139	(786,546)	147,439
Long-term debt	-	198,676	4,192	-	-	202,868
Other long-term liabilities	-	227	11,776	-	-	12,003
Deferred income taxes	-	30,646	-	-	-	30,646
Total liabilities	192,180	326,972	649,211	11,139	(786,546)	392,956
Shareholders' equity	408,273	639,076	151,306	(15)	(788,998)	409,642
Total liabilities and shareholders' equity	$ 600,453	$ 966,048	$ 800,517	$ 11,124	$(1,575,544)	$ 802,598

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(in thousands)
Three Months Ended September 30, 2007

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ -	$ 156,547	$ 250,964	$ -	$ (158,784)	$ 248,727
Cost of sales	-	110,533	163,641	-	(158,904)	115,270
Gross profit	-	46,014	87,323	-	120	133,457
Selling, general and administrative expenses	41	11,004	94,615	-	-	105,660
Restructuring and impairment charge, net	-	-	-	-	-	-
Total operating expenses	41	11,004	94,615	-	-	105,660
Operating income (loss)	(41)	35,010	(7,292)	-	120	27,797
Interest and other miscellaneous income, net	17,545	(4,456)	414	-	(10,581)	2,922
Interest and other related financing costs	-	2,859	76	-	-	2,935
Income before income tax expense	17,504	26,540	(6,954)	-	(10,461)	27,784
Income tax expense	-	10,244	36	-	-	10,280
Net income (loss)	$ 17,504	$ 17,451	$ (6,990)	$ -	$ (10,461)	$ 17,504

Three Months Ended September 30, 2006

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ -	$ 154,927	$ 239,164	$ -	$ (151,268)	$ 242,823
Cost of sales	-	108,888	158,798	5	(151,197)	116,494
Gross profit	-	46,039	80,366	(5)	(71)	126,329
Selling, general and administrative expenses	41	11,468	86,651	3	-	98,163
Restructuring and impairment charge, net	-	-	13,936	-	-	13,936
Total operating expenses	41	11,468	100,587	3	-	112,099
Operating income (loss)	(41)	34,571	(20,221)	(8)	(71)	14,230
Interest and other miscellaneous income, net	8,493	(18,322)	(172)	12	12,221	2,232
Interest and other related financing costs	-	2,862	76	-	-	2,938
Income before income tax expense	8,452	13,387	(20,469)	4	12,150	13,524
Income tax expense	-	4,785	287	-	-	5,072
Net income (loss)	$ 8,452	$ 8,602	$ (20,756)	$ 4	$ 12,150	$ 8,452

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(in thousands)
Three Months Ended September 30, 2007

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 49,979	$ (14,216)	$ 5,687	$ -	$ -	$ 41,450
Cash flows from investing activities:						
Capital expenditures	-	(1,294)	(11,251)	-	-	(12,545)
Acquisitions	-	-	(705)	-	-	(705)
Proceeds from the disposal of property, plant and equipment	-	-	5,063	-	-	5,063
Other	-	6	-	-	-	6
Net cash used in investing activities	-	(1,288)	(6,893)	-	-	(8,181)
Cash flows from financing activities:						

Payments on long-term debt	-	-	(9)	-	-	(9)
Purchases and other retirements of company stock	(44,101)	-	-	-	-	(44,101)
Proceeds from issuance of common stock	307	-	-	-	-	307
Excess tax benefits from share-based payment arrangements	-	2,081	-	-	-	2,081
Dividends paid	(6,185)	-	-	-	-	(6,185)
Net cash provided by (used in) financing activities	(49,979)	2,081	(9)	-	-	(47,907)
Effect of exchange rate changes on cash	-	-	243	-	-	243
Net decrease in cash and cash equivalents	-	(13,423)	(972)	-	-	(14,395)
Cash and cash equivalents - beginning of period	-	142,253	5,626	-	-	147,879
Cash and cash equivalents - end of period	$ -	$ 128,830	$ 4,654	$ -	$ -	$ 133,484

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(in thousands)
Three Months Ended September 30, 2006

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 25,233	$ (11,981)	$ 22,048	$ -	$ -	$ 35,300
Cash flows from investing activities:						
Capital expenditures	-	(2,270)	(13,382)	-	-	(15,652)
Acquisitions	-	-	(6,209)	-	-	(6,209)
Proceeds from the disposal of property, plant and equipment	-	2	40	-	-	42
Other	-	38	-	-	-	38
Net cash used in investing activities	-	(2,230)	(19,551)	-	-	(21,781)
Cash flows from financing activities:						
Payments on long-term debt	-	-	(10)	-	-	(10)
Payment of deferred financing costs	-	(107)	-	-	-	(107)
Purchases and other retirements of company stock	(19,536)	-	-	-	-	(19,536)
Proceeds from issuance of common stock	93	-	-	-	-	93
Excess tax benefits from share-based payment arrangements	-	1,643	-	-	-	1,643
Dividends paid	(5,790)	-	-	-	-	(5,790)
Net cash provided by (used in) financing activities	(25,233)	1,536	(10)	-	-	(23,707)
Effect of exchange rate changes on cash	-	-	23	-	-	23
Net increase (decrease) in cash and cash equivalents	-	(12,675)	2,510	-	-	(10,165)
Cash and cash equivalents - beginning of period	-	172,246	1,555	-	-	173,801
Cash and cash equivalents - end of period	$ -	$ 159,571	$ 4,065	$ -	$ -	$ 163,636

Item 2. Managements Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of financial condition and results of operations should be read in conjunction with (i) our Consolidated Financial Statements, and notes thereto, as set forth in this Quarterly Report on Form 10-Q and (ii) our Annual Report on Form 10-K for the year ended June 30, 2007.

Forward-Looking Statements

Management's discussion and analysis of financial condition and results of operations and other sections of this

Quarterly Report contain forward-looking statements relating to our future results. 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: the effects of terrorist attacks or conflicts or wars involving the United States or its allies or trading partners; the effects of labor strikes; weather conditions that may affect sales; volatility in fuel, utility, transportation and security costs; changes in global or regional political or economic conditions, including changes in governmental and central bank policies; changes in business conditions in the furniture industry, including changes in consumer spending patterns and demand for home furnishings; effects of our brand awareness and marketing programs, including changes in demand for our existing and new products; our ability to locate new design center sites and/or negotiate favorable lease terms for additional design centers or for the expansion of existing design centers; competitive factors, including changes in products or marketing efforts of others; pricing pressures; fluctuations in interest rates and the cost, availability and quality of raw materials; those matters discussed in Items 1A and 7A of our Annual Report on Form 10-K for the year ended June 30, 2007 and in our SEC filings; and our future decisions. Accordingly, actual circumstances and results could differ materially from those contemplated by the forward-looking statements.

Critical Accounting Policies

Our consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles 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. We use our 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 our 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). We estimate an inventory valuation allowance for excess quantities and obsolete items based on specific identification and historical write-downs, 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. As such, revenue recognition occurs upon the shipment of goods to independent retailers or, in the case of Ethan Allen-owned retail design centers, upon delivery to the customer. Recorded sales provide for estimated returns and allowances. We permit our customers to return defective products and incorrect shipments, and terms we offer are standard for the industry.

Allowance for Doubtful Accounts We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our 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 Design Center Acquisitions - We account for the acquisition of retail design centers 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 We periodically evaluate 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, we assess 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 assets carrying value over its fair value is recorded. The long-term nature of these assets requires the estimation of 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 indefinite-lived intangible assets are 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. We conduct our required annual impairment test during the fourth quarter of each fiscal year and use 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 our control.

Business Insurance Reserves We have 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. We accrue estimated losses using actuarial models and assumptions based on historical loss experience. Although we believe 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. We adjust insurance reserves, as needed, in the event that future loss experience differs from historical loss patterns.

Other Loss Reserves We have 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 the use of estimates and judgment with regard to maximum risk exposure and ultimate liability or realization. As a result, these estimates are often developed with our counsel, or other appropriate advisors, and are based on our 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.

Results of Operations

Our revenues are comprised of (i) wholesale sales to independently-owned and Company-owned retail design centers and (ii) retail sales of Company-owned design centers. See Note 12 to our Consolidated Financial Statements for the three months ended September 30, 2007 and 2006.

The components of consolidated revenue and operating income were as follows (in millions):

	Three Months Ended September 30,	
	2007	2006
Revenue:		
Wholesale segment	$ 156.3	$ 155.6
Retail segment	182.8	166.0
Elimination of inter-company sales	(90.4)	(78.8)
Consolidated Revenue	$ 248.7	$ 242.8
Operating Income:		
Wholesale segment (1)	$ 26.8	$ 11.4
Retail segment	0.9	2.8
Adjustment of inter-company profit (2)	0.1	-
Consolidated Operating Income	$ 27.8	$ 14.2

(1) Operating income for the wholesale segment for the three months ended September 30, 2006 includes a pre-tax restructuring and impairment charge, net of $13.9 million.

(2) Represents the change in the inventory profit elimination entry necessary to adjust for the embedded wholesale profit contained in Ethan Allen-owned design center inventory existing at the end of the period.

Quarter Ended September 30, 2007 Compared to Quarter Ended September 30, 2006

Consolidated revenue for the three months ended September 30, 2007 increased by $5.9 million, or 2.4%, to $248.7 million, from $242.8 million for the three months ended September 30, 2006. Net sales for the period largely reflect the delivery of product associated with booked orders and backlog existing as of the end of the preceding quarter. During the quarter, sales were positively impacted by (i) our continued efforts to reposition the retail network, and (ii) new product introductions. These factors were partially offset by a weak retail environment for home furnishings likely attributable, to some degree, to continued economic concerns, particularly as it relates to consumer credit.

To date, our repositioning of the retail network has involved three primary elements: the opening of larger, new or relocated design centers in more prominent locations; development of a more focused advertising campaign to highlight our solutions-based approach and position Ethan Allen as an authority in style and design; and investment within the retail network to strengthen the existing management structure. Implementation of our project management initiative, which has resulted in the promotion and/or hiring of more than 300 project managers, has enabled us to increase the level of service, professionalism, interior design competence, efficiency, and effectiveness of retail design center personnel. With project managers actively partnering with design consultants and their customers, we believe we have improved the customer service experience and facilitated, to some degree, better awareness of potential cross-selling opportunities.

Wholesale revenue for the first quarter of fiscal 2008 increased by $0.7 million, or 0.4%, to $156.3 million from $155.6 million in the prior year comparable period. The quarter-over-quarter increase was primarily attributable to improved service position within certain imported product lines which resulted in shorter delivery cycle times, partially offset by a decline in the incoming order rate as a result of the softer retail environment for home furnishings noted during the period.

Retail revenue from Ethan Allen-owned design centers for the three months ended September 30, 2007 increased by $16.8 million, or 10.1%, to $182.8 million from $166.0 million for the three months ended September 30, 2006.The increase in retail sales by Ethan Allen-owned design centers was attributable to (i) an increase in sales generated by newly opened (including relocated) or acquired design centers of $18.9 million, and (ii) an increase in comparable design center delivered sales of $0.4 million, or 0.2%. These favorable

variances were partially offset by reduced revenue from sold and closed design centers, which generated $2.5 million fewer sales in the first quarter of fiscal 2008 as compared to the same

period in fiscal 2007. The number of Ethan Allen-owned design centers increased to 158 as of September 30, 2007 as compared to 141 as of September 30, 2006. During that twelve month period, we acquired 10 design centers from independent retailers and opened 13 design centers (4 of which were relocations), and closed 2 design centers.

Comparable design centers 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 (including relocated) design centers. Design centers acquired by us from independent retailers are included in comparable design centers sales in their 13th full month of Ethan Allen-owned operations.

Quarter-over-quarter, written business of Ethan Allen-owned design centers increased 9.8% and comparable design centers written business increased 0.3%. Over that same period, wholesale orders decreased 8.4%. Retail written business likely reflects (i) our continued efforts to reposition the retail network, (ii) recent product introductions, and (iii) our continued use of national television as an advertising medium. These factors have likely been offset, to some degree, by the softer retail environment for home furnishings noted throughout the period. Wholesale written business reflects the impact of the aforementioned factors, as well as the timing of floor sample orders placed in connection with our annual retailer conference (October 2007 as compared to September 2006).

Gross profit increased during the quarter to $133.5 million from $126.3 million in the prior year comparable quarter. The $7.2 million, or 5.6%, increase in gross profit was primarily attributable to a shift in sales mix with retail sales representing a higher proportionate share of total sales in the current quarter (74%) compared to the prior year period (68%), and (ii) improved performance within our remaining product sourcing operations, including a reduction in overhead as a result of past plant closures and price stabilization with regard to the selected raw materials. These favorable factors were partially offset by (i) increased costs incurred during the period which stem from excess capacity experienced within our case good manufacturing facilities during the fourth quarter of fiscal 2007 and (ii) a prior period gain associated with business interruption insurance recoveries received in connection with hurricane losses sustained during fiscal 2006. Consolidated gross margin increased to 53.7% for the first quarter of fiscal 2008 from 52.0% in the prior year quarter as a result, primarily, of the factors set forth above.

Operating profit, the elements of which are discussed in greater detail below, was impacted by the following items during the three months ended September 30, 2007 and 2006:

On September 6, 2006, we announced a plan to close our Spruce Pine, North Carolina case goods manufacturing facility and convert our Atoka, Oklahoma upholstery manufacturing facility into a regional distribution center. In connection with this initiative, we permanently ceased production at both locations, allocating production among our remaining domestic manufacturing locations and selected offshore suppliers. The decision impacted approximately 465 employees with the reduction in headcount occurring during the second and third quarters of fiscal 2007. We recorded a pre-tax restructuring and impairment charge of $14.1 million during the quarter ended September 30, 2006, of which $4.0 million was related to employee severance and benefits and other plant exit costs, and $10.1 million, which was non-cash in nature, was related to fixed asset impairment charges, primarily for real property and machinery and equipment, stemming from the decision to cease production activities. During the three months ended March 31, 2007 and December 31, 2006, adjustments totaling $0.2 million and $0.3 million, respectively, were recorded to reverse remaining previously established accruals which were no longer deemed necessary.

Including the restructuring and impairment charge referred to above, **operating expenses** decreased $6.4 million, or 5.7%, to $105.7 million, or 42.5% of sales, in the current quarter from $112.1 million, or 46.2% of sales, in the prior year quarter. The decrease was primarily attributable to (i) the aforementioned prior period restructuring and impairment charge, and (ii) a reduction in costs associated with our distribution operations. These decreases were partially offset by increased costs associated with our continued efforts to reposition the retail network which, during the period, resulted in higher costs associated with occupancy, designer compensation, managerial salaries and benefits, and delivery and warehousing.

Including the restructuring and impairment charge referred to above, **consolidated operating income** for the three month period ended September 30, 2007 totaled $27.8 million, or 11.2% of sales, as compared to $14.2 million, or 5.9% of sales, for the three months ended September 30, 2006.This represents an increase of $13.6 million which was attributable to an increase in gross profit and lower period-over-period operating expenses, both of which were discussed previously.

Wholesale operating income for the three months ended September 30, 2007 totaled $26.8 million, or 17.1% of sales, as compared to $11.4 million, or 7.3% of sales, in the prior year comparable quarter. The increase of $15.4 million was primarily attributable to (i)the prior period restructuring and impairment charge mentioned above, (ii) an increase in sales volume, (iii) lower distribution costs, and (iv) improved performance within our remaining product sourcing operations, including a reduction in overhead as a result of past plant closures and price stabilization with regard to the selected raw materials. These factors were partially offset by increased costs incurred during the period which stem from excess capacity experienced within our case good

manufacturing facilities during the fourth quarter of fiscal 2007.

Retail operating income decreased $1.9 million to $0.9 million, or 0.5% of sales, for the first quarter of fiscal 2008 from $2.8 million, or 1.7% of sales, for the first quarter of fiscal 2007. The decrease in retail operating income generated by Ethan Allen-owned design centers was primarily attributable to (i) higher operating expenses as a result of our continued efforts to reposition the retail network, (ii) a decline in sales volume associated with design centers closed or sold during the period, and (iii) a prior period gain associated with business interruption insurance recoveries received in connection with hurricane losses sustained during fiscal 2006. These unfavorable variances were partially offset by higher sales volume generated by newly-opened (including relocations), acquired and comparable design centers.

Interest and other miscellaneous income, net increased $0.7 million from the prior year comparable quarter. The increase was due, primarily, to gains recorded in connection with the sale of selected real estate assets, partially offset by a decrease in investment income resulting from lower cash and short-term investment balances maintained during the current period.

Interest and other related financing costs amounted to $2.9 million in both the current and prior year periods. This amount consists, primarily, of interest expense incurred in connection with our issuance of senior unsecured debt in September 2005.

Income tax expense for the three months ended September 30, 2007 totaled $10.3 million as compared to $5.1 million for the three months ended September 30, 2006. Our effective tax rate for the current quarter was 37.0%, down from 37.5% in the prior year quarter. The lower effective tax rate was a result, primarily, of the benefits derived from the manufacturers deduction provided for under The Jobs Creation Act of 2004 and certain tax planning initiatives. Partially offsetting these items were the adverse effects of recently-enacted changes within certain state tax legislation, increased state income tax liability arising in connection with the operation of a greater number of Company-owned design centers, and increased foreign income tax liability associated with our five retail design centers operating in Canada.

For the three months ended September 30, 2007, we recorded **net income** of $17.5 million as compared to $8.5 million in the prior year comparable period, which included the aforementioned restructuring and impairment charge. Net income per diluted share totaled $0.57 in the current quarter and $0.26 per diluted share in the prior year quarter.

Liquidity and Capital Resources

As of September 30, 2007 we maintained cash and cash equivalents totaling $133.5 million. Our principal sources of liquidity include cash and cash equivalents, cash flow from operations, and borrowing capacity under a $200.0 million revolving credit facility.

The credit facility 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. The credit facility contains various covenants which may limit our ability to: incur debt; engage in mergers and

consolidations; make restricted payments; sell certain assets; make investments; and issue stock. We are also required to meet certain financial covenants including a fixed charge coverage ratio, which shall not be less than 3.00 to 1 for any period of four consecutive fiscal quarters ended on or after June 30, 2005, and a leverage ratio, which shall not be greater than 3.00 to 1 at any time. As of September 30, 2007, we had satisfactorily complied with these covenants.

In addition, on September 27, 2005, we completed a private offering of $200.0 million in ten-year senior unsecured notes due 2015 (the "Senior Notes"). The Senior Notes were offered by Ethan Allen Global, Inc. ("Global"), a wholly-owned subsidiary of the Company, and have an annual coupon rate of 5.375%. The net proceeds of $198.4 million are being utilized to expand our retail network, invest in our manufacturing and logistics operations, and for other general corporate purposes.

In connection with the issuance of the Senior Notes, Global, in July and August 2005, 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 mitigate the negative impact of interest rate fluctuations on earnings, cash flows and equity. The forward contracts were entered into with a major banking institution thereby mitigating the risk of credit loss. Upon issuance of the Senior Notes and settlement of the related forward contracts, losses totaling $0.9 million were incurred representing the change in the fair value of the forward contracts since their respective trade dates. In accordance with SFAS No. 133, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, as amended, it was determined that a portion of the related losses was the result of hedge ineffectiveness and, as such, $0.1 million of the losses was included, within interest and other related financing costs, in the Consolidated Statement of Operations for the three month period ended September 30, 2005. The balance of the losses is included (on a net-of-tax basis) in the Consolidated Balance Sheets within accumulated other comprehensive income and is being amortized to interest expense over the life of the Senior Notes. The remaining unamortized balance of these forward contract losses totaled $0.6 million ($0.4 million, net-of-tax) as of September 30, 2007.

A summary of net cash provided by (used in) operating, investing, and financing activities for the three month periods ended September 30, 2007 and 2006 is provided below (in millions):

	Three Months Ended September 30,	
	2007	2006
Operating Activities:		
Net income plus depreciation and amortization	$ 23.4	$ 14.1
Working capital	11.2	13.2
Excess tax benefits from share-based payment arrangements	(2.1)	(1.6)
Other (non-cash items, long-term assets and liabilities)	9.0	9.6
Total provided by operating activities	$ 41.5	$ 35.3
Investing Activities:		
Capital expenditures	$ (12.5)	$ (15.7)
Acquisitions	(0.7)	(6.2)
Asset sales	5.0	-
Other	-	0.1
Total used in investing activities	$ (8.2)	$ (21.8)
Financing Activities:		
Issuances of common stock	0.3	0.1
Purchases and other retirements of company stock	(44.1)	(19.5)
Payment of cash dividends	(6.2)	(5.8)
Payment of deferred financing costs	-	(0.1)
Excess tax benefits from share-based payment arrangements	2.1	1.6
Total used in financing activities	$ (47.9)	$ (23.7)

Operating Activities
As compared to the same period in fiscal year 2007, cash provided by operating activities increased $6.2 million during the three months ended September 30, 2007 as a result, primarily, of higher sales and operating income. Partially offsetting this increase in profitability were changes in working capital (accounts receivable, inventories, prepaid and other current assets, customer deposits, payables, and accrued expenses and other current liabilities) arising in the ordinary course of business. In addition, operating cash flow for the three month period includes the effects of changes in several other non-cash items, including restructuring and impairment charges and gains incurred in connection with the sale of certain property, plant and equipment during the period.

Investing Activities
As compared to the same period in fiscal year 2007, cash used in investing activities decreased $13.6 million during the three months ended September 30, 2007 due, primarily, to (i) a reduction in cash utilized to fund acquisition activity and capital expenditures, and (ii) an increase in proceeds related to the disposition of certain property, plant and equipment. The current level of capital spending is principally attributable to (i) new design center development and renovation, (ii) entity-wide technology initiatives, and (iii) improvements within our remaining manufacturing facilities. We anticipate that cash from operations will be sufficient to fund future capital expenditures.

Financing Activities
As compared to the same period in fiscal year 2007, cash used in financing activities increased $24.2 million during the three months ended September 30, 2007 as a result, primarily, of an increase in payments related to the acquisition of treasury stock. On July 24, 2007, we declared a dividend of $0.22 per common share, payable on October 25, 2007, to shareholders of record as of October 10, 2007. We expect to continue to declare quarterly dividends for the foreseeable future.

As of September 30, 2007, our outstanding debt totaled $202.9 million, the current and long-term portions of which amounted to less than $0.1 million and $202.9 million, respectively. The aggregate scheduled maturities of long-term debt for each of the next five fiscal years are: less than $0.1 million in each of fiscal 2008, 2009, and 2010; and $3.9 million in fiscal 2011. The balance of our long-term debt ($198.9 million) matures in fiscal years 2012 and thereafter.

We had no revolving loans outstanding under the credit facility as of September 30, 2007, and stand-by letters of credit outstanding under the facility at that date totaled $15.1 million. Remaining available borrowing capacity under the facility was $184.9 million at September 30, 2007.

Except as set forth below, there has been no material change to the amount or timing of cash payments related to our outstanding contractual obligations as set forth in Part II, Item 7 *Managements Discussion and Analysis of Financial Condition and Results of Operation* of our Annual Report on Form 10-K for the year ended June 30, 2007 as filed with the Securities and Exchange Commission on August 28, 2007.

On July 1, 2007, we adopted Financial Accounting Standards Board ("FASB") Interpretation No. ("FIN") 48,

Accounting for Uncertainty in Income Taxes, *an interpretation of FASB Statement No. 109, Accounting for Income Taxes*. As discussed further in Note 3, FIN 48 requires the recognition of a liability for unrecognized tax benefits, including related interest and penalties. As of July 1, 2007, we had unrecognized income tax benefits totaling $4.8 million and related accrued interest and penalties of $1.4 million (after related tax benefits), all of which was reclassified from current to long-term liabilities upon adoption. Since adopting FIN 48, our unrecognized tax benefits and related interest and penalties have increased by $0.3 million and $0.2 million, respectively. We do not currently anticipate significant changes in such amounts over the next twelve months. The payment obligations associated with these liabilities have not been reflected in our contractual obligations disclosure referred to above due to the absence of scheduled maturities and the resultant uncertainty regarding the timing of future cash outflows associated with such obligations. Therefore, the timing of these payments

cannot be determined, except for amounts estimated to be payable within twelve months that are included in current liabilities, of which there are none as September 30, 2007.

We believe that our cash flow from operations, together with our other available sources of liquidity, will be adequate to make all required payments of principal and interest on our debt, to permit anticipated capital expenditures, and to fund working capital and other cash requirements. As of September 30, 2007, we had working capital of $213.5 million and a current ratio of 2.43 to 1.

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, we have been authorized by our Board of Directors to repurchase our common stock, from time to time, either directly or through agents, in the open market at prices and on terms satisfactory to us. All of our common stock repurchases and retirements are recorded as treasury stock and result in a reduction of shareholders equity.

During the three months ended September 30, 2007 and 2006, we repurchased and/or retired the following shares of our common stock:

	Three Months Ended September 30,	
	2007(1)(2)	2006(3)(4)
Common shares repurchased	1,144,000	478,300
Cost to repurchase common shares	$38,268,917	$16,672,720
Average price per share	$33.45	$34.86

(1) Repurchase activity for the three months ended September 30, 2007 excludes $3,436,230 in common stock repurchases with a June 2007 trade date and a July 2007 settlement date.
(2) During August 2007, we also retired 661,688 shares of common stock tendered upon the exercise of outstanding employee stock options (592,861 to cover share exercise and 68,827 to cover related employee tax withholding liabilities). The total value of such shares on the date redeemed was $23,033,359, representing an average price per share of $34.81.
(3) Repurchase activity for the three months ended September 30, 2006 excludes $1,000,807 in common stock repurchases with a June 2006 trade date and a July 2006 settlement date.
(4) During August 2006, we also retired 185,930 shares of common stock tendered upon the exercise of outstanding employee stock options (137,517 to cover share exercise and 48,413 to cover related employee tax withholding liabilities). The total value of such shares on the date redeemed was $7,154,586, representing an average price per share of $38.48.

For each of the periods presented above, we funded our purchases of treasury stock with existing cash on hand and cash generated through current period operations. On July 24, 2007, the Board of Directors increased the then remaining share repurchase authorization to 2,500,000 shares. As of September 30, 2007, we had a remaining Board authorization to repurchase 2,051,300 shares.

Subsequent to September 30, 2007 and through November 2, 2007, we repurchased, in 3 separate open market transactions, an additional 0.3 million shares of our common stock at a total cost of $7.8 million, representing an average price per share of $30.10. As of November 2, 2007, we had a remaining Board authorization to repurchase 1.8 million shares.

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

Except as indicated below, we do not utilize or employ any off-balance sheet arrangements, including special-purpose entities, in operating our business. As such, we do 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 our future liquidity, capital resources and results of operations.

In connection with the issuance of the Senior Notes, Global, in July and August 2005, 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 mitigate the negative impact of interest rate fluctuations on earnings, cash flows and equity. The forward contracts were entered into with a major banking institution thereby mitigating the risk of credit loss. Upon issuance of the Senior Notes in September 2005, the related forward contracts were settled. At the present time we have no current plans to engage in further hedging activities.

We 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 our underlying relationship with the benefiting party and the business purpose for which the guarantee or obligation is being provided. Details of those arrangements for which we act as guarantor or obligor are provided below.

Retailer-Related Guarantees

Independent Retailer Credit Facility

We have obligated ourselves, on behalf of one of our independent retailers, with respect to a $1.5 million credit facility (the "Credit Facility") comprised of a $1.1 million revolving line of credit and a $0.4 million term loan. This obligation requires us, in the event of the retailers default under the Credit Facility, to repurchase the retailers inventory, applying such purchase price to the retailers outstanding indebtedness under the Credit Facility. Our 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 we could be required to make under this obligation is limited to the amount outstanding under the 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 we maintain the right to take title to the repurchased inventory. We anticipate that the repurchased inventory could subsequently be sold through our retail design center network.

As of September 30, 2007, the amount outstanding under the Credit Facility totaled approximately $0.9 million, substantially all of which was outstanding under the revolving credit line. Based on the underlying creditworthiness of the respective retailer, we believe this obligation will expire without requiring funding by us. However, in accordance with the provisions of FASB Interpretation No. 45, *Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, a liability has been established to reflect our non-contingent obligation under this arrangement as a result of modifications made to the Credit Facility subsequent to January 1, 2003. As of September 30, 2007, the carrying amount of such liability is less than $50,000.

Ethan Allen Consumer Credit Program

The terms and conditions of our consumer credit program, which is financed and administered by a third-party financial institution on a non-recourse basis to Ethan Allen, are set forth in an agreement between us and that financial service provider (the "Program Agreement"). Any independent retailer choosing to participate in the consumer credit program is required to enter into a separate agreement with that same third-party financial institution which sets forth the terms and conditions under which the retailer is to perform in connection with its offering of consumer credit to its customers (the "Retailer Agreement"). We have obligated ourselves on behalf of any independent retailer choosing to participate in our consumer credit program by agreeing, in the event of default, breach, or failure of the independent retailer to perform under such Retailer Agreement, to take on certain responsibilities of the independent retailer, including, but not limited to, delivery of goods and reimbursement of customer deposits. Customer receivables originated by independent retailers remain non-recourse to Ethan Allen. Our obligation remains in effect for the term of the Program Agreement which expires in July 2012. While the maximum potential amount of future payments (undiscounted) that we could be required to make under this obligation is indeterminable, recourse provisions exist that would enable us to recover, from the independent retailer, any amount paid or incurred by us related to our performance. Based on the underlying

creditworthiness of our independent retailers, including their historical ability to satisfactorily perform in connection with the terms of our consumer credit program, we believe this obligation will expire without requiring funding by us.

Product Warranties

Our products, including our 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 our domestic independent retailers are required to enter into, and perform in accordance with the terms and conditions of, a warranty service agreement. We record provisions for estimated warranty and other related costs at time of sale based on historical warranty loss experience and make 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 our historical experience. We provide for such warranty issues as they become known and are deemed to be both probable 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 our historical experience. As of September 30, 2007, our product warranty liability totaled $1.5 million.

Business Outlook

While we cannot forecast, with any degree of certainty, changes in the various macro-economic factors that influence the incoming order rate, we believe that we are well-positioned for the next phase of economic growth based upon our existing business model which includes: (i) an established brand; (ii) a comprehensive complement of home decorating solutions; and (iii) a vertically-integrated operating structure.

As macro-economic factors change, however, it is also possible that our costs associated with production (including raw materials and labor), distribution (including freight and fuel charges), and retail operations (including compensation and benefits, delivery and warehousing, occupancy, and advertising expenses) may increase. We cannot reasonably predict when, or to what extent, such events may occur or what effect, if any, such events may have on our consolidated financial condition or results of operations.

The home furnishings industry remains extremely competitive with respect to both the sourcing of products and the retail sale of those products. Domestic manufacturers continue to face pricing pressures as a result of the manufacturing capabilities developed during recent years in other countries, specifically within Asia. In response to these pressures, a large number of U.S. furniture manufacturers and retailers, including us, have increased their overseas sourcing activities in an attempt to maintain a competitive advantage and retain market share. At the present time, we domestically manufacture and/or assemble approximately 60% of our products. We continue 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.

In addition, we believe that our retail strategy, which involves (i) a continued focus on providing a wide array of product solutions and superior customer service, (ii) the opening of larger, new or relocated design centers in more prominent locations, while encouraging independent retailers to do the same, and (iii) the development of a more professional management structure within our retail network, provides an opportunity to further grow our business.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks relating to fluctuations in interest rates and foreign currency exchange rates.

Interest rate risk exists primarily through our borrowing activities. Our policy has been to utilize United States dollar denominated borrowings to fund our 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 our future financing requirements.

For floating-rate obligations, interest rate changes do not affect the fair value of the underlying financial instrument but do impact future earnings and cash flows, assuming other factors are held constant. Conversely, for fixed-rate obligations, interest rate changes affect the fair value of the underlying financial instrument but do not impact earnings or cash flows. At September 30, 2007, we had no floating-rate debt obligations outstanding. As of that same date, our fixed-rate debt obligations consist, primarily, of the Senior Notes. The estimated fair value of the Senior Notes as of September 30, 2007, which is based, primarily, on interest rate changes subsequent to the date on which the debt was issued, and which has been determined using quoted market prices, was $187.4 million as compared to a carrying value of $198.7 million.

Foreign currency exchange risk is primarily limited to our operation of five Ethan Allen-owned retail design centers 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 our consolidated results of operations.

Historically, we have not entered into financial instrument, including derivative, transactions for trading or other speculative purposes or to manage interest rate or currency exposure. However, in connection with the issuance of the Senior Notes, Global, in July and August 2005, 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 earnings, cash flows and equity. The forward contracts were entered into with a major banking institution thereby mitigating the risk of credit loss. Upon issuance of the Senior Notes, the related forward contracts were settled. At the present time, we have no current plans to engage in further hedging activities.

Item 4. Controls and Procedures

Managements Report on Disclosure Controls and Procedures

Our 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 September 30, 2007, our disclosure controls and procedures were effective in ensuring that material information relating to us (including our consolidated subsidiaries), which is required to be disclosed by us in our periodic reports filed or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SECs rules and forms, and (ii) accumulated and communicated to management, including the CEO and VPF, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our 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 first fiscal quarter ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Except as set forth in Note 9 to the Consolidated Financial Statements, which is incorporated by reference herein, there has been no material change to the matters discussed in Part I, Item 3 - *Legal Proceedings* in our Annual Report on Form 10-K for the year ended June 30, 2007 as filed with the Securities and Exchange Commission on August 28, 2007.

Item 1A. Risk Factors

There has been no material change to the matters discussed in Part I, Item 1A *Risk Factors* in our Annual Report on Form 10-K for the year ended June 30, 2007 as filed with the Securities and Exchange Commission on August 28, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Certain information regarding purchases made by or on behalf of us 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 September 30, 2007 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	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (a)
July 2007	812,500	$33.68	812,500	2,382,800
August 2007	331,500	$32.90	331,500	2,051,300
September 2007	-	-	-	2,051,300
Total	1,144,000	$33.45	1,144,000	

(a) We have been authorized by our Board of Directors to repurchase our common stock, from time to time, either directly or through agents, in the open market at prices and on terms satisfactory to us. In recent years, the Board of Directors has increased the then remaining share repurchase authorization as follows: from 753,600 shares to 2,000,000 shares on November 16, 2004; from 691,100 shares to 2,000,000 shares on April 26, 2005; from 393,100 shares to 2,500,000 shares on November 15, 2005; from 1,110,400 shares to 2,500,000 shares on July 25, 2006; and from 707,300 shares to 2,500,000 shares on July 24, 2007.

Subsequent to September 30, 2007 and through November 2, 2007, we repurchased, in 3 separate open market transactions, an additional 0.3 million shares of our common stock at a total cost of $7.8 million, representing an average price per share of $30.10. As of November 2, 2007, we had a remaining Board authorization to repurchase 1.8 million shares.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
10 (b)-7	The Ethan Allen Retirement Savings Plan, as Amended and Restated, effective January 1, 2006
10 (e)-3	Second Amended and Restated Private Label Consumer Credit Card Program Agreement, dated July 23, 2007, between Ethan Allen Global, Inc., Ethan Allen Retail, Inc., and GE Money Bank (confidential treatment requested under Rule 24b-2 as to certain portions which are omitted and filed separately with the SEC)
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

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)

DATE: November 5, 2007

BY: /s/ M. Farooq Kathwari
M. Farooq Kathwari
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

DATE: November 5, 2007

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

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

EXHIBIT INDEX

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32.1	Section 1350 Certification of Principal Executive Officer
32.2	Section 1350 Certification of Principal Financial Officer

THE ETHAN ALLEN RETIREMENT SAVINGS PLAN

(As Amended and Restated Effective January 1, 2006)

Mayer Brown LLP
Chicago

I, _____ , Secretary of ETHAN ALLEN GLOBAL, INC., hereby certify that the attached document is a full, true and complete copy of THE ETHAN ALLEN RETIREMENT SAVINGS PLAN as presently in effect.

Dated this day of , 2007.

Secretary as Aforesaid

(Seal)

THE ETHAN ALLEN RETIREMENT SAVINGS PLAN

(As Amended and Restated Effective January 1, 2006)

SECTION 1

General

1.1 History, Purpose and Effective Date. Effective as of September 28, 1958, Ethan Allen Retail Inc. (formerly known as 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 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 and, effective as of September 1, 2006, the Mirons 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, 2006, 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"). From and after the Effective Date, Ethan Allen Global, Inc. shall be the sponsor of the Plan and shall be substituted for Ethan Allen Inc. as the "Company" hereunder.

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". Ethan Allen Global, Inc. became an "Employer" under the Plan effective July 1, 2005. Each company that is an Employer under the Plan as of the Effective Date is set forth in Appendix B hereto.

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 section 3(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 filed 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.

1.14 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 terms and conditions of the Plan, each individual who was a Participant in the Plan immediately prior to the Effective Date will continue to be a Participant in the Plan from and after the Effective Date. Subject to the terms and conditions of the Plan, each employee of an Employer who was not a Participant in the Plan immediately prior to the Effective Date will become a "Participant" in the Plan on the Effective 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, 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. 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 right 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, 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 percent 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, 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 defined below), the term "One Year Break in Service" means the 12-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 4.7) reduced by one to 100 percent, 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 4.5 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 100 percent (in whole percent increments) of his Eligible Compensation.

4.3 Catch-Up Contributions. Subject to the limitations set forth in Section 8, all employees who are eligible to make Before-Tax Contributions under this Plan and who have attained age 50 before the close of the

Plan Year shall be eligible to make "Catch-Up Contributions" in accordance with, and subject to the limitations of, section 414(v) of the Code. Such Catch-Up Contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of sections 402(g) and 415 of the Code. Notwithstanding any other provision of the Plan, the Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of section 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416 of the Code, as applicable, by reason of the making of such Catch-Up Contributions.

4.4 Payment of Before-Tax and After-Tax Contributions. Before-Tax, After-Tax, and Catch-Up 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 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.

4.5 Variation, Discontinuance and Resumption of Before-Tax, After-Tax, or Catch-Up Contributions. Subject to such rules as the Committee may establish and the limitations of subsections 4.1, 4.2 and 4.3, a Participant may elect to change the rate of his Before-Tax, After-Tax or Catch-Up Contributions, suspend any or all such contributions or resume any or all such contributions. Notwithstanding the foregoing provisions of this subsection 4.5, 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.

4.6 Rollover Contributions and Transferred Amounts. 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 4.6, 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 and the Committee may consent to the transfer of assets and liabilities from another plan qualified under section 401(a) or to the merger of another qualified plan into the Plan. 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 (including as the result of a plan merger), 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.

4.7 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 4.3 or under a plan defined in section 125 or 132(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 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 $1,300 per Participant (or such other amount as determined by the Company) per Plan Year and in no event shall Company Match Contributions be made with respect to Catch-Up Contributions.

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, Catch-Up, Rollover, Company Match and Company Profit Sharing Contributions made on that Member's behalf 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 (or its designee) upon becoming a Participant. Such elections may be changed to be effective each Accounting Date according to rules established by the Committee; provided, however, 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. In the event of a transfer of assets and liabilities from another qualified plan to the Plan (including as a result of plan-to-plan transfers or a plan merger), the Committee shall direct the Trustee as to the investment of assets to be transferred to the Plan.

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 and Catch-Up 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. In the case of a transfer of assets and liabilities from another qualified plan to the Plan (including as a result of plan-to-plan transfers or a plan merger), the transferred assets shall be allocated to Participants' Accounts as directed by the Committee.

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(c);

(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(f) 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, Catch-Up 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, Catch-Up 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, 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 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) $45,000 (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 401(a)(17) 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 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 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 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:

(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 8.7; 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. 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)(3) Tests. For each Plan Year, the Plan will satisfy the requirements of section 401(k)(3) of the Code and the requirements of Treas. Reg. § 1.401(k)-2 (the "ADP Test"). The determination as to whether the ADP Test is satisfied for any Plan Year shall be made based on the "current year testing method".

8.7 Correction of Section 401(k) Excess. In the event that the ADP Test is not initially satisfied for any Plan Year, the Committee shall direct the Trustee to distribute excess contributions in accordance with Treas. Reg. § 1.401(k)-2(b). Without limiting the generality of the foregoing, if the requirements of this subsection 8.7 are applicable, the excess contributions shall be corrected in accordance with Treas. Reg. § 1.401(k)-2(b)(2) including:

(a) determining in accordance with Treas. Reg. § 1.401(k)-2(b)(2)(ii) the total amount of excess contributions that must be distributed;

(b) apportioning the total amount of excess contributions that must be distributed among Highly Compensated employees in accordance with Treas. Reg. § 1.401(k)-2(b)(2)(iii);

(c) determining the income allocable to the excess contributions in accordance with the method under Treas. Reg. § 1.401(k)-2(b)(2)(iv)(C) and the safe harbor method for determining income for the gap period; and

(d) distributing the apportioned excess contributions and income allocable thereto in accordance with Treas. Reg. § 1.401(k)-2(b)(2)(v).

8.8 Limitation on Company Match and After-Tax Contributions. For each Plan Year, the Plan will satisfy the requirements of section 401(m)(2) of the Code and the requirements of Treas. Reg. § 1.401(m)-2 (the "ACP Test"). The determination as to whether the ADP Test is satisfied for any Plan Year shall be made based on the "current year testing method".

8.9 Correction of Section 401(m) Excess. In the event that the ACP Test is not initially satisfied for any Plan Year, the Committee shall direct the trustee to distribute excess aggregate contributions in accordance with Treas. Reg. § 1.401(m)-2(b). Without limiting the generality of the foregoing, if the requirements of this subsection 8.9 are applicable, the excess contributions shall be corrected in accordance with Treas. Reg. § 1.401(m)-2(b)(2) including:

(a) determining in accordance with Treas. Reg. § 1.401(m)-2(b)(2)(ii) the total amount of excess aggregate contributions that must be distributed;

(b) apportioning the total amount of excess aggregate contributions that must be distributed amount Highly Compensated employees in accordance with Treas. Reg. § 1.401(m)-2(b)(2)(iii);

(c) determining the income allocable to the excess aggregate contributions in accordance with the method under Treas. Reg. § 1.401(m)-2(b)(2)(iv)(C) and the safe harbor method for determining income for the gap period; and

(d) distributing the apportioned excess aggregate contributions and income allocable thereto in accordance with Treas. Reg. § 1.401(m)-2(b)(2)(v).

8.10 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 $100,000 (indexed for cost-of-living adjustments under section 415(d) of the Code as provided in section 414(q) 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.

8.11 Catch-Up Contributions. In no event shall Catch-Up Contributions for any Plan Year exceed the limits permitted under section 414(v) of the Code. Catch-Up Contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of sections 402(g) and 415 of the Code. Notwithstanding any other provision of the Plan to the contrary, the Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of sections 401(k)(3), 401(k)(11), 401(k)(12), 410(b) or 416 or the Code, as applicable, by reason of the making of such Catch-Up Contributions.

SECTION 9

Vesting and Termination Dates

9.1 Determination of Vested Interest. A Participant shall at all times be 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. 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. 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.

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 percent of the Participant's After-Tax Contributions Account;

(b) up to 100 percent of the Participant's Rollover Contributions Account;

(c) up to 100 percent of the Participant's Company Match Contributions Account but only if the withdrawal is after the Participant's attainment of age 59-1/2 or is because of a Financial Hardship (as defined in subsection 10.2);

(d) up to 100 percent of the Participant's Before-Tax Contributions Account but only if the withdrawal is after the Participant's attainment of age 59-1/2, or up to 100 percent 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 percent of the Participant's Company Profit Sharing Contributions Account but only if the withdrawal is after the Participant's attainment of age 59-1/2 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 incurred for or necessary to obtain medical care (described in section 213(d) of the Code without regard to whether the expenses exceed 7.5% of adjusted gross income) of the Participant, the Participant's spouse, any dependents of the Participant (as defined in section 152 of the Code) or a non-custodial child of the Participant;

(ii) costs directly related to 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 his spouse, children or

dependents (as defined in section 152 of the Code and, for taxable years beginning on or after January 1, 2005, without regard to section 152(d)(1)(B) of the Code);

(iv) payments necessary the need to prevent (1) the eviction of the Participant from his principal residence or (2) the foreclosure on the mortgage of that residence;

(v) payments for burial or funeral expenses of the Participant's deceased parent, spouse, children or dependents (as defined in section 152 of the Code and, for taxable years beginning on or after January 1, 2005, without regard to section 152(d)(1)(B) of the Code);

(vi) expenses for the repair of damage to the Participant's principal residence that qualify for the casualty loss deduction under section 165 of the Code (without regard to whether the loss exceeds 10 percent of adjusted gross income); or

(vii) any other distribution which is deemed by the Commissioner of Internal Revenue to be made on account of immediate and heavy financial need as provided in Treasury Regulations.

(b) The withdrawal must also be necessary to satisfy the heavy and financial need of the Participant. It will be considered necessary only to the extent that 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 (and the Employer does not have any knowledge to the contrary). In making this determination, the Committee may reasonably rely on the Participant's written representation that the need cannot be relieved in whole or in part by any of the following (to the extent such actions themselves would have the effect of increasing the amount of the need):

(i) reimbursement or compensation by insurance or otherwise;

(ii) liquidation of the Participant's assets; or

(iii) cessation of Before Tax Contributions and/or After-Tax Contributions to the Plan;

(iv) other currently available distributions and nontaxable (at the time of the loan) loans under the Plan and any other plans (qualified and nonqualified) maintained by the Employers or Related Companies or any other employer; or

(v) borrowing from commercial sources on reasonable commercial terms in an amount sufficient to satisfy the need.

(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 the Committee, subject to the following conditions:

(a) No loan shall be made to a Participant if, immediately after such loan, the sum of the outstanding balances (including principal and interest) of all loans made to him under this Plan and under any other qualified retirement plans made by Employers or Related Companies would exceed $50,000, reduced by the excess, if any, of:

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

(ii) the outstanding balance of loans from the plans to the Participant on the date on which such loan is made;

and no loan shall be made to a Participant if the aggregate amount of that loan and the outstanding balance of any other loans to the Participant would exceed one-half of the total vested balance of the Participant's Account balances under the Plan as of the date the loan is made.

(b) Each loan shall be evidenced by a legally enforceable agreement specifying the amount and date of the loan and providing for:

(i) a reasonable repayment period of not more than 5 years from the date of the loan (or such longer period permitted by the Committee in the case of a loan which is used to acquire a dwelling which, within a reasonable period of time, will be used as the Participant's principal residence (as defined in section 121 of the Code)); provided, however, that the term of any loan which is being used to refinance a then existing loan under the Plan shall not exceed the maximum permitted term of the loan that is being refinanced;

(ii) a reasonable rate of interest, as determined from time to time by the Committee;

(iii) substantially equal payments of principal and interest over the term of the loan no less frequently than quarterly on a basis that would permit such loan to be amortized over its term; and

(v) such other terms and conditions as the Committee shall determine.

(c) Any loans shall be charged against the Participant's Account and subaccounts in the order prescribed by the Committee.

(d) A Participant shall not be permitted to have more than one loan from the Plan outstanding at any time; provided, however, that a Participant may have two loans outstanding at a time if such second loan is used to refinance a then existing loan under the Plan.

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

(f) A prepayment of the entire outstanding principal and interest may be made without penalty. The Committee may require that 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.

(g) Any loan to a Participant shall become immediately due and payable as of the last day of the calendar quarter following the calendar quarter in which any required installment was due and remains unpaid or, if earlier, upon the Participant's Termination Date. Notwithstanding any other provision of the Plan to the contrary, if the outstanding balance of principal and interest on any loan is not paid by the last day of the calendar quarter following the calendar quarter following the date on which the loan term expires or upon acceleration in accordance with the foregoing provisions of this paragraph (g), a default shall occur and the Trustee shall apply all or a portion of the Participant's vested interest in the Plan in satisfaction of such outstanding obligation, but only to the extent such vested interest (or portion thereof) is then distributable under applicable provisions of the code and under the terms of the Plan. If necessary to satisfy the entire outstanding obligation, such application of the Participant's vested interest may be executed in a series of actions as amounts credited to the Participant's account become distributable. The provisions of this paragraph shall be applied in accordance with applicable state and federal law.

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

(i) 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.

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

(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.

The Committee shall administer the Plan loan program in accordance with section 72(p) of the Code and application Treasury Regulations issued thereunder.

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 $1,000, 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 $1,000, 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 of 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) For periods on and after January 1, 2003, minimum required distributions under the Plan shall be governed by Supplement B to this Plan.

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 11.1 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 the Plan 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 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; 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 distribution which is made upon the hardship of the employee shall not constitute an eligible rollover distribution for purposes of the Plan.

(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.

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 distribution sunder 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. Notwithstanding any other provision of the Plan to the contrary, benefits under the Plan will be paid only if the Committee, in its discretion, determines that the applicant is entitled to them pursuant to the terms of the Plan.

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 RETIREMENT SAVINGS PLAN

(Top-Heavy)

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).

Definitions

A-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 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 percent 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)(1)(c) of the Code.

(f) The present value of benefits under all defined benefit plans shall be determined on the basis of a 5 percent 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 percent 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 percent 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 1/2 of one percent), excluding any employee for any plan year whose compensation did not exceed the applicable amount in effect under section 415(c)(1)(A) of the Code for the calendar year in which that year ends;

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

(d) a 1 percent 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

A-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:

(e) 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;

(f) 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

(g) 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-11. 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:

(h) 3 percent; or

(i) 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-11 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.

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 1-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 be 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 1-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 "1-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.

SUPPLEMENT B
TO
THE ETHAN ALLEN RETIREMENT SAVINGS PLAN

(Required Minimum Distributions After 2002)

Application and Effective Date

B-1. 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 of Treasury 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 70 ½, 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 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 spouse 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. If the Participant dies before the date 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 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.

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APPENDIX B

Employers

Ethan Allen Global, Inc.
Ethan Allen Retail, Inc.
Ethan Allen Operations, Inc.

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Exhibit 10(e)-3

CONFIDENTIAL TREATMENT REQUESTED BY ETHAN ALLEN INTERIORS INC. OF CERTAIN PORTIONS OF THIS AGREEMENT IN ACCORDANCE WITH RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934.

SECOND AMENDED AND RESTATED
PRIVATE LABEL CONSUMER CREDIT CARD PROGRAM AGREEMENT

This **SECOND AMENDED AND RESTATED PRIVATE LABEL CONSUMER CREDIT CARD PROGRAM AGREEMENT** is made as of July 23, 2007 by and between Ethan Allen Global, Inc., a Delaware corporation ("Ethan Allen Global"), and Ethan Allen Retail, Inc., a Delaware corporation ("Ethan Allen Retail", and together with Ethan Allen Global, "Retailer"), each with its principal place of business at Ethan Allen Drive, Danbury, Connecticut 06813, and GE Money Bank with its principal place of business at 4246 South Riverboat Road, Suite 200, Salt Lake City, Utah 84123-2551 ("Bank"). Certain capitalized terms used in this Agreement are defined in the attached Appendix A.

WHEREAS, Bank has established a program to extend customized, open-end credit to qualified customers of Retailer and its Authorized Dealers for the purchase of goods and services for personal, family or household purposes pursuant to that certain Amended and Restated Consumer Credit Card Program Agreement between Bank, as successor to Monogram Credit Card Bank of Georgia, and Retailer, as successor to Ethan Allen Inc., dated as of February 22, 2000 (as amended from time to time, the "Original Agreement");

WHEREAS, Retailer is engaged in the sale of furniture and related accessories and services at wholesale to its Dealers and at retail at its Retailer Store Locations; and

WHEREAS, the parties desire to amend and restate the Original Agreement on the terms set forth herein, to be effective as of the Effective Date.

NOW, THEREFORE, in consideration of the terms, conditions and mutual covenants contained herein, and for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Bank and Retailer agree as follows:

ARTICLE 1 - ESTABLISHMENT AND SCOPE OF THE PROGRAM

1.1 Bank and Retailer to Amend and Restate the Program. Pursuant to the terms and conditions of this Agreement, Bank and Retailer hereby amend and restate the terms and conditions of the credit card program established pursuant to the Original Agreement, effective as of the Effective Date, the purpose of which is to continue to make open-end credit available during the Term to qualified consumer customers of Ethan Allen Retail and qualified consumer customers of Authorized Dealers of Ethan Allen Global in order to permit such customers to finance purchases of goods and services within the Territory from Ethan Allen Retail in accordance with the terms of this Agreement and from Authorized Dealers in accordance with a Bank Dealer Agreement entered into between Authorized Dealer and Bank (collectively, the "Program"). The responsibilities of Bank and Retailer with respect to Dealers are set forth in Section 6.22 hereof.

CONFIDENTIAL TREATMENT REQUESTED BY ETHAN ALLEN INTERIORS INC. OF CERTAIN PORTIONS OF THIS AGREEMENT IN ACCORDANCE WITH RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934.

1.2 Scope of the Program.

(a) During the Term, Retailer shall make the Program available to its customers, including processing Account applications and accepting Credit Cards in accordance with the Operating Procedures at all Retailer Store Locations and Bank will extend credit directly to Cardholders under the Program to finance purchases from Retailer.

(b) The Program is intended to be used by Cardholders for purchases made primarily for personal, family or household use and Bank does not intend to extend credit under the Program for purchases made primarily for commercial and business purposes. Retailer acknowledges that Bank's obligation to continue to extend credit under the Program is contingent on Retailer continuing to sell the type of goods and services generally similar to those sold by Retailer as of the Effective Date.

ARTICLE 2 - RESPONSIBILITIES UNDER THE PROGRAM

2.1 Bank's Responsibilities. During the Term, Bank's responsibilities in conducting the Program, subject to and in accordance with the terms of this Agreement, include the following:

(a) Extend consumer credit to qualified customers of Retailer in accordance with this Agreement and the Cardholder Agreements.

(b) Subject to the terms of Section 6.3, establish (and modify from time to time in its discretion) Cardholder finance charge rates and other fees and Account terms.

(c) Develop, produce and deliver to Retailer at a central location, Bank's credit applications and Cardholder Agreements and other standard Program materials.

(d) Produce and distribute Credit Cards and Credit Card carriers in accordance with the design provided by Retailer to Bank prior to the date hereof or in accordance with a revised design provided by Retailer; provided, that if Retailer does not provide Bank at least 180 days prior written notice of such revised design, Retailer will reimburse Bank for Bank's costs of any remaining Credit Card plastic and carriers with the old design to the extent that such plastic and carriers would have been consumed had Retailer provided Bank 180 days prior notice of the revised design; and, provided further, that if Retailer requests the re-issuance of any Credit Cards, Retailer will reimburse Bank for Bank's out-of-pocket costs of plastic used in the production of such Credit Card re-issuance requested by Retailer and for all other out-of-pocket costs associated with any such re-issue.

(e) Establish (and modify from time to time in its discretion) the credit criteria used to evaluate applications for Cardholder Agreements.

(f) Assign (and modify from time to time in its discretion) credit lines, authorize charges, and service Accounts.

(g) Prepare and mail periodic billing statements to Cardholders with Active Accounts.

(h) Provide a dedicated toll-free number for Retailer and Authorized Dealer customer and store inquiries.

(i) Receive and post payments, collect Accounts, and take all further actions Bank deems necessary or appropriate in connection with Account administration.

(j) Perform its responsibilities under this Agreement and the Program in accordance with Applicable Laws, including ensuring that all Cardholder Agreements, billing statements and solicitations conducted by Bank, and all of Bank's activities in originating and administering Accounts, comply with Applicable Laws.

(k) In the event that, contrary to the intent of the parties, Cardholders contact Retailer with disputes, cooperate in the resolution of such disputes; respond within twenty (20) days to any dispute forwarded to Bank from Retailer, and forward to Retailer any information necessary for Retailer to investigate or resolve any dispute, subject to Applicable Laws preventing Bank from forwarding any such information.

(l) Provide training to Retailer's personnel at mutually agreeable times.

2.2 Retailer's Responsibilities. During the Term, Retailer's responsibilities in conducting the Program, subject to and in accordance with the terms of this Agreement, include the following:

(a) In consultation with Bank, provide to Bank a design (which may be updated pursuant to Section 2.1(d)) meeting Bank's specifications for use in producing Credit Cards (as well as for producing other Retailer-branded Program materials).

(b) Accept Credit Cards for customer purchases from Retailer at Retailer Store Locations in accordance with and otherwise conduct its activities relating to the Program in compliance with the Operating Procedures. In the absence of a Credit Card (or in the case of Absentee Purchases), follow the procedures for "card not present" purchase transactions as provided for in the Operating Procedures.

(c) Promote the Program and the use of Credit Cards to its customers, including by producing customized store signage and application holders, media advertising and through other promotional methods.

(d) Train its personnel sufficiently so as to be able to properly fulfill Retailer's responsibilities under the Program.

(e) Transmit all Account applications to Bank electronically and otherwise process such applications in accordance with procedures reasonably determined by Bank.

(f) Only submit Charge Transaction Data in respect of products or services reasonably related to the types of products or services offered for sale by Retailer at Retailer Store Locations (or as otherwise permitted hereunder) as of the Effective Date.

(g) Perform its responsibilities under this Agreement and the Program in compliance with all Applicable Laws.

(h) Only use documents and forms in connection with the Program that were provided to Retailer, or approved in writing, by Bank (and only the latest version of such documents supplied by Bank), and refrain from modifying any such approved documents or forms without Bank's prior written consent.

(i) Cooperate in the resolution of any Cardholder disputes; respond within twenty (20) days to any dispute forwarded to Retailer from Bank, and forward to Bank promptly after receipt by Retailer copies of any communication relating to an Account received from any person.

(j) Maintain a policy for the exchange, return, and adjustment of products and services which is adequately communicated to customers and is in accordance with all Applicable Laws (in connection therewith Retailer represents and warrants that, as of the Effective Date, the return policy in effect is the same as that delivered by Retailer to Bank prior thereto); notify Bank in advance of (if practicable), but in any event within thirty (30) days after, any change in such return policy following the Effective Date; provide a credit to the applicable Account upon the exchange or return of a good or service financed on such Account (but do not credit an Account in any case where the purchased good or service was not originally financed on an Account); and include the resulting credit in the next transmission of Charge Transaction Data to Bank (but in no event more than forty-eight (48) hours after the credit was issued); not submit any charge slip that includes a Restocking Fee unless Retailer's policy and practice of charging a Restocking Fee was disclosed to the Cardholder who made the Purchase with respect to which such Restocking Fee is being imposed and such disclosure was in compliance with Applicable Law.

(k) Retain copies of all charge slips and credit slips for at least twenty-five (25) months (or such longer period as may be required by law); except as otherwise provided for herein in connection with disputes or chargebacks, provide copies of any of the foregoing to Bank within twenty (20) days after Bank's request; and, if mutually agreed upon by the parties, produce and use charge slips and credit slips which are able to be captured and reproduced electronically via signature capture technology or other methods.

(l) Cooperate with Bank to maintain connectivity to Bank's systems for purposes of processing applications and sending Charge Transaction Data to Bank.

ARTICLE 3 - SETTLEMENT AND PAYMENT TERMS

3.1 Settlement Procedures.

(a) Retailer will transmit Charge Transaction Data to Bank daily and otherwise in accordance with the Operating Procedures. If Charge Transaction Data is received by Bank's processing center before 5:00 p.m. (central time) on any business day, Bank will process the Charge Transaction Data and initiate payment on or before the second business day thereafter. If the Charge Transaction Data is received after 5:00 p.m. (central time) on any business day, or at any time on a day other than a business day, Bank will process

the Charge Transaction Data and initiate payment on or before the third business day thereafter.

(b) Provided no circumstance exists that would entitle Bank to give notice of termination of this Agreement, upon receipt, verification and processing of Charge Transaction Data by Bank during the Term, Bank will remit to Retailer in respect of such Charge Transaction Data an amount equal to the sum of the total charges identified in such Charge Transaction Data less the sum of (i) the total amount of any credits included in such Charge Transaction Data, (ii) the applicable Program Fees, and (iii) at Bank's option, any other amounts then owed by Retailer to Bank (including, without limitation, amounts charged back to Retailer pursuant to Article 7). Bank shall not be obligated to fund any Charge Transaction Data submitted by Retailer more than one hundred eighty (180) days after the date Bank initially authorizes the purchase transaction unless and until Retailer obtains new authorization from Bank for such transaction. Bank shall promptly re-authorize the initial purchase transaction, up to the amount of the initial purchase transaction, so long as there is sufficient available open credit on the applicable Cardholder's Account and such Cardholder's Account is open and not in default.

(c) The terms and conditions upon which Bank will settle with an Authorized Dealer for purchases reflected in charge transaction data (including with respect to program fees, chargebacks and other amounts owed by an Authorized Dealer) will be governed by the Bank Dealer Agreement between the Authorized Dealer and Bank.

3.2 Bank Payment Terms.

(a) Bank will transfer funds payable to Retailer under this Agreement via Automated Clearing House ("ACH") deposit to an account maintained in the name of Retailer pursuant to written instructions delivered to Bank by Retailer, which account may be changed upon thirty (30) days prior written notice from Retailer to Bank.

(b) Notwithstanding any other provision of this Agreement, Bank will have the right to net, setoff or recoup any amounts due to it under this Agreement against any amounts owing to Retailer under this Agreement. Nothing in this Section or any other provision of this Agreement is intended to limit Bank's common law rights of setoff and recoupment.

3.3 Retailer Payment Terms. Unless otherwise provided for elsewhere in this Agreement, any amounts payable by Retailer to Bank under this Agreement will be due when invoiced by Bank and shall be paid in immediately available funds within fifteen (15) days after receipt of such invoice. Unless the parties otherwise agree, Retailer will transfer funds payable to Bank under this Section 3.3 via wire transfer to a deposit account maintained in Bank's name pursuant to written instructions delivered to Retailer by Bank. Neither the issuance of the Letter of Credit under Section 4.4 nor any drawing thereunder shall limit Bank's rights under this Section 3.3.

3.4 Program Fees. Retailer shall pay to Bank the Program Fees applicable to each submission to Bank of Charge Transaction Data.

CONFIDENTIAL TREATMENT REQUESTED BY ETHAN ALLEN INTERIORS INC. OF CERTAIN PORTIONS OF THIS AGREEMENT IN ACCORDANCE WITH RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934.

(a) ***

(b) ***

3.5 Program Fee Percentages.

(a) The Program Fee Percentages available under the Program as of the Effective Date are set forth on Schedule 3.5. ***

(b) If Bank and Retailer agree to offer any additional credit-based promotion not included on Schedule 3.5, Bank will establish in writing, with acknowledgment by Retailer, the Promotional Rate applicable to the calculation of the Program Fee payable by Retailer for qualifying purchases, as well as such other terms and conditions as the parties shall agree. Bank's approval of any billing and credit terms for any promotion is not intended to be and will not be construed to be an approval of any materials used in advertising or soliciting participation in such promotions.

(c) Any Charge Transaction Data that does not meet the coding requirements (*i.e.*, transaction code or minimum purchase requirements) of any credit-based promotion will automatically default and be subject to the Base Rate; provided however, that if Bank honors any such incorrectly coded credit-based promotion, Retailer shall pay to Bank the incremental difference between the Program Fee at the Base Rate and the Program Fee applicable to the Promotional Rate honored by Bank.

3.6 Interest Rate Adjustor. ***

ARTICLE 4 - OTHER PROGRAM ECONOMICS

4.1 Signing Bonus; Promotional Fee. ***

(a) ***

(b) ***

4.2 Allocation of Program Expenses. Unless otherwise specifically provided in this Agreement, each party will be responsible for all costs and expenses incurred by it in connection with complying with its responsibilities under this Agreement.

4.3 Solicitation of Cardholders for Other Products.

(a) Bank (or its designees) may, with notice to (but without the consent of) Retailer, solicit Cardholders for and offer to Cardholders (or arrange for a third party to solicit and/or provide) the following products and services offered by Bank or its affiliates: home

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loan products, including mortgage programs and home equity line of credit programs, student loan programs, savings accounts, and GE Money MasterCard; provided, that Bank may not solicit any Cardholder for GE Money MasterCard until such Cardholder's Account becomes Inactive. With the consent of Retailer (which consent shall not be unreasonably withheld), Bank (or its designee) may also solicit Cardholders for and offer to Cardholders (or arrange for a third party to solicit and/or provide) other financial or credit products and services offered by Bank or its affiliates, including Insurance Programs, Debt Cancellation Programs and Value-Added Programs and any other products and services that do not compete with the products or services produced or sold by Retailer. Bank may not use the Retailer Marks in any solicitation permitted pursuant to this Section 4.3(a) without the express written consent of Retailer. For purposes of this paragraph, "Inactive" shall mean an Account that has not had a debit or credit balance for the preceding thirty-six (36) months.

(b) Bank will be entitled to retain for its account any proceeds generated from the provision of the goods and services referred to in Section 4.3(a).

4.4 Letter of Credit. At any time during any Letter of Credit Period, Bank may require that Retailer deliver an Eligible Letter of Credit to Bank in the amount requested by Bank, which amount shall not exceed *** (such requested amount being referred to herein as the "Letter of Credit Amount"); provided, that such Letter of Credit Amount may be increased from time to time pursuant to Section 6.21. If, at any time, an event shall occur which would cause any Letter of Credit previously delivered to Bank to cease to be an Eligible Letter of Credit, within ten (10) days of the earlier of (i) the date on which Retailer first learns of the occurrence of such event; or (ii) the date on which Retailer first receives notice thereof from Bank, Retailer shall cause a substitute Eligible Letter of Credit to be issued and delivered to Bank in a face amount equal to the Letter of Credit Amount. On or before forty-five (45) days prior to the expiration of each Letter of Credit provided to Bank, Retailer shall cause a substitute Eligible Letter of Credit to be issued and delivered to Bank in a face amount equal to the Letter of Credit Amount. The obligations under this Section 4.4 shall apply at all times until a day ninety (90) days after the expiration of the Agreement, at which time, Bank shall surrender any outstanding Letter of Credit to Retailer. The draw events for any Eligible Letter of Credit are set forth in the definition of "Eligible Letter of Credit" in Appendix I. Any amounts drawn under a Letter of Credit hereunder in excess of the Delivery Obligations then due to Bank shall be held by Bank in a non-interest bearing account on Bank's books (the "Collateral Account") and shall secure Retailer's full and prompt payment of the Delivery Obligations then or thereafter owing. If Retailer fails to pay any Delivery Obligation when due, Bank may immediately, and without prior notice to Retailer, debit such unpaid amount from the amounts then remaining in the Collateral Account. Bank's security interest in the Collateral Account shall be in addition to any right of setoff or recoupment that Bank may otherwise have under this Agreement or Applicable Law. If Retailer purchases or arranges for the purchase of all of the Accounts and related Indebtedness from Bank in accordance with Section 10.1 hereof, and if as of the date of such purchase, Retailer has paid all Delivery Obligations, Bank shall simultaneously pay to Retailer, an amount equal to the amount remaining in the Collateral Account on the date of such purchase. If Retailer does not purchase or arrange for the purchase of all of the Accounts and related

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Indebtedness in accordance with Section 10.2 hereof, and if as of the Final Liquidation Date, Retailer has paid all Delivery Obligations, Bank shall pay to Retailer an amount equal to the amounts remaining in the Collateral Account on the Final Liquidation Date.

ARTICLE 5 - PROMOTION OF THE PROGRAM

5.1 Annual Marketing Plans. During the Term, Bank and Retailer will work together in good faith to agree for each Program Year on a marketing plan to promote the Program and each party agrees to implement such marketing plan. Bank and Retailer may from time to time also mutually agree on additional specific marketing activities for the Program (and will not unreasonably withhold consent to any specific marketing plan proposed by the other party). Unless otherwise agreed to by Bank in writing, the costs of implementing each marketing plan (or for implementing any marketing or promotional initiatives developed by the parties outside of such plan) shall be paid for by Retailer.

5.2 Innovation Council; Innovation Fund.

(a) The Relationship Managers and such equal number of other employees of each party as the parties shall mutually determine from time to time (the "Innovation Council") shall be charged with developing innovation projects for the Program. Bank will establish (by creation of a record maintained by Bank) and administer an innovation fund ("Innovation Fund") to fund the costs and expenses of implementing the agreed innovation projects developed by the Innovation Council.

(b) During the Term and prior to either party issuing a notice of termination, Bank will allocate to the Innovation fund at the beginning of each Program Year ***. Except for the right to require Bank to make payments from such fund from time to time in accordance with Section 5.2(c) hereof, Retailer shall have no right, title or interest in or to the Innovation fund in or to any amounts which have been allocated thereto. Any amounts previously allocated to the Innovation Fund but not used by Bank as of (x) the end of any Program Year or (y) the date of any notice of termination hereunder or at any time thereafter, may be withdrawn and retained by Bank for its own account without obligation to account therefore to Retailer.

(c) Except as set forth in Section 5.2(b), neither party shall have any obligation to allocate any money to the Innovation Fund. Neither party shall have any obligation to pay more for any such innovation project than the amount allocated at such time to the Innovation Fund; provided, that the parties may mutually agree to share or otherwise allocate the costs of implementing any innovation projects to the extent the cost of such innovation projects is expected to exceed the funds then available in the Innovation Fund.

5.3 Responsibility of Retailer to Promote the Program.

(a) Without limiting Retailer's obligations under any marketing plan,

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Retailer will support and promote the Program by, among other things:

(i) encouraging the establishment and use of Accounts as the preferred method of payment for Retailer's products and services; and

(ii) providing and utilizing store signage, credit advertisements, promotional inserts, statement messages and other marketing materials promoting Program.

(b) Retailer will not seek or obtain any special agreement or condition from, nor discriminate in any way against, Cardholders or any person with respect to the terms of any Account transaction. Retailer will not charge any credit surcharge, application, processing or other Program related fee to Cardholders.

ARTICLE 6 - OTHER AGREEMENTS

6.1 Ownership of Accounts; Credit Losses.

(a) Bank is and will be the sole and exclusive owner of all Accounts and Account Documentation, and will be entitled to receive all payments made by Cardholders on Accounts. Bank shall be identified as the creditor and owner of the Accounts for all purposes, and Retailer shall not represent or imply otherwise. Retailer acknowledges that it has no right, title or interest in any Accounts or Account Documentation and will not, at any time, have any right to any proceeds or payments made under the Accounts unless Retailer subsequently purchases or otherwise acquires such Accounts from Bank. Retailer further acknowledges that neither the Cardholder Information nor any of the Account Documentation nor any of the information included in the Account Documentation will be deemed to be Confidential Information of Retailer for purposes of Section 13.1 hereof. Retailer authorizes and empowers Bank to sign and endorse Retailer's name upon any checks, drafts, money orders or other forms of payment in respect of any Account that may have been issued by the Cardholder in Retailer's name. This limited power of attorney conferred in this Section 6.1 is deemed a power coupled with an interest and will be irrevocable prior to the Final Liquidation Date.

(b) Bank will bear all credit losses on Accounts (other than as permitted by Bank's chargeback rights in Article 7 and other than credit losses incurred after the Accounts are purchased or otherwise acquired by Retailer or a third party).

6.2 Ownership and Use of Cardholder Information.

(a) Retailer is the sole and exclusive owner of the Retailer Shopper Data. Nothing herein shall be deemed to limit Retailer's right in or use of any such Retailer Shopper Data, regardless of whether some of the information contained in Retailer Shopper Data is also information contained in Cardholder Information or Account Documentation. To the extent, if any, that Bank is given access by or on behalf of Retailer to any Retailer Shopper Data, Bank acknowledges that Retailer Shopper Data will not be deemed to be Confidential Information of Bank for purposes of Section 13.1 hereof.

(b) Bank is the sole and exclusive owner of all lists of Cardholders and applicants generated by the Program (including, without limitation, names, addresses, telephone numbers, e-mail addresses, dates of birth, social security and similar numbers, and account and similar access numbers) (the "Cardholder Information"). Nothing herein shall be deemed to limit Bank's right in or use of any such Cardholder Information, regardless of whether some of the information contained in Cardholder Information is also information contained in Retailer Shopper Data. To the extent, if any, that Retailer is given access by or on behalf of Bank to any Cardholder Information, Retailer acknowledges that Cardholder Information will not be deemed to be Confidential Information of Retailer for purposes of Section 13.1 hereof.

6.3 Cardholder Terms. Bank may establish and modify the ordinary finance charge rates applicable to credit extended to Cardholders. Bank may also establish (and modify from time to time) all other terms upon which credit will be extended to Cardholders, including without limitation, repayment terms, default finance charges, late fees, returned check charges, and other ordinary fees and charges; provided, however, that to the extent Bank provides similarly structured private label credit card programs (with similar risk characteristics) to other third parties to finance consumer retail purchases from retailers that sell primarily furniture and related goods and services of similar quality, Bank shall apply finance charge rates and other fees and Account terms for the Program that are in all material respects consistent with finance charge rates and other fees and Account terms it applies to such other similarly structured private label credit card programs. Bank shall consult with Retailer prior to amending or modifying the finance charge rates and fees set forth on Schedule 6.3.

6.4 Credit Criteria. Bank shall establish in its discretion and may modify from time to time any or all of the credit criteria used in evaluating applicants under the Program (including, without limitation, the creditworthiness of individual applicants, the range of credit limits to be made available to individual Cardholders and whether to suspend or terminate the credit privileges of any Cardholder). Bank will consult with Retailer regarding any changes to the credit criteria used for the Program which, in Bank's reasonable opinion, could reasonably be expected to have a material adverse affect on the Program.

6.5 Operating Procedures. Bank and Retailer acknowledge that, under the Original Agreement, Bank has developed and provided to Retailer operating procedures (the "Operating Procedures") governing the flow of application information and Charge Transaction Data, the logistics and specific procedures involved in the establishment and maintenance of Accounts under the Program and settlement procedures for charges submitted by Retailer to Bank. Such Operating Procedures will continue to govern such issues and procedures under the Program, and Bank may amend them from time to time upon reasonable notice to Retailer. The Operating Procedures will include

any supplemental procedures developed or required from time to time by Bank (or by Bank and Retailer, as the case may be) in connection with Retailer's request to provide for purchases or accept applications through the Retailer Website, by mail or by telephone. Bank and Retailer acknowledge that Bank has the right to provide Retailer the Operating Procedures and Bank represents and warrants that Retailer's use of the Operating Procedures shall not infringe upon or violate any third party's intellectual property rights.

6.6 Credit Review Point. Bank shall provide a credit allocation for the Program in the amount of the Credit Review Point. Bank will not be obligated to make any extension of credit under the Program if, after such extension, the aggregate Indebtedness for all Accounts would exceed the Credit Review Point then in effect. Bank shall also have no obligation to extend further credit under the Program at any time after the occurrence of any event that would allow Bank to give notice of termination hereunder. If at any time the aggregate Indebtedness with respect to all Accounts equals or exceeds ninety percent (90%) of the Credit Review Point then in effect, then within sixty (60) days thereafter, Bank will select one of the following options and give Retailer written notice of its selection:

(a) Bank may increase the Credit Review Point to an amount that will accommodate the then outstanding Indebtedness, and anticipated growth in such Indebtedness (as applicable), based on Bank's good faith projections. If Bank selects this option, then Bank's written notice to Retailer will include the amount of the increased Credit Review Point.

(b) Bank may elect not to increase the Credit Review Point, in which case, Retailer will be entitled to terminate this Agreement in accordance with the provisions of Section 9.2(j).

6.7 Retailer Financial Reports.

(a) If at any time during the Term Retailer's parent, Ethan Allen Interiors Inc., is not obligated to, or for any other reason does not, file periodic financial reports with the Securities and Exchange Commission pursuant to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, Retailer will:

(i) As soon as practicable but in any event not more than ninety (90) days after the end of each fiscal year, deliver to Bank its audited annual financial statements, including its audited consolidated balance sheet, income statement and statement of cash flows.

(ii) As soon as practicable but in any event not more than forty-five (45) days after the end of each fiscal quarter, deliver to Bank its unaudited quarterly financial statements, including its unaudited consolidated balance sheet, income statement and statement of cash flows, accompanied by a certificate from Ethan Allen Interiors Inc.'s chief financial officer, substantially in the form attached hereto as Exhibit B, that such financial statements were prepared in accordance with generally accepted accounting principles applied on a consistent basis and present fairly the consolidated financial position of Retailer as of the end of such fiscal quarter and the results of its operations, subject to normal year end audit adjustments.

(b) Retailer will notify Bank in writing of any change in the S&P Debt Rating within ten (10) business days after the occurrence thereof.

(c) Within ten (10) days after the end of the first and third fiscal quarters in each fiscal year of Retailer, Retailer will cause to be duly executed and delivered to Bank a certificate substantially in the form of Exhibit C hereto.

6.8 Access. Retailer will permit Bank's representatives to visit Retailer Store Locations during normal business hours with reasonable advance notice. Retailer will also

permit Bank to review and obtain copies of all of the books and records of Retailer, consistent with and subject to any Applicable Laws that Retailer must comply with, relating to the Program and authorizes Bank to monitor the administration and promotion of the Program through mystery shopping and by other reasonable means.

6.9 Inserts and Billing Messages.

(a) For each billing statement sent to Cardholders during a billing cycle during the Term, Bank will make available to Retailer a space for two (2) customized messages on the billing statement and Bank will include as many Retailer inserts into each billing statement as possible (but in no event more than four (4) without causing the weight of the billing statement package to exceed one ounce; provided that if Bank is required by law to send a notice in such month (or if Bank reasonably believes a notice is necessary or desirable to protect Bank's interest in the Accounts), then such notice shall take priority over any proposed insert or statement message as applicable. If Retailer wishes Bank to include Retailer's inserts in any billing statements in which the inclusion of such inserts will cause the postage on such billing statements to exceed one ounce, then Retailer will provide at least five (5) days prior notice to Bank to enable Bank to adjust its process and Retailer will pay the overweight postage charges resulting therefrom. The foregoing notwithstanding, Bank is not required to include any Retailer statement messages or billing inserts unless Bank receives such statement messages or copies of the billing inserts as and when agreed to by the parties in writing. Retailer will provide copies of all billing inserts to Bank at its own cost.

(b) The form of customized messages and all billing inserts will comply with Bank's specifications as provided to Retailer from time to time, and Bank shall have the right to reject any message or billing statement that Bank reasonably believes is detrimental to the image of the Bank or the Program. For the avoidance of doubt, for purposes of Retailer's rights under this Section, only billing inserts and statement messages regarding the Program, or goods and services available for purchase from Retailer under the Program, shall qualify for inclusion in Cardholder billing statements.

6.10 Extended Warranties.

(a) Retailer shall not permit the sale of any gift certificates, gift cards or stored value cards (collectively referred to herein as the "Value Cards") (or the reloading of any such card) charged to Accounts at any time between the date that is the thirtieth (30th) consecutive day after the S&P Debt Rating has been at or below BB and the date that is the thirtieth (30th) consecutive day after the S&P Debt Rating has been at or above BB+. All purchases of Value Cards financed on Accounts must be subject to the Base Rate. Retailer shall not permit the remaining value of any Value Cards to be redeemed for cash unless Retailer provides advance written notice to Bank of such cash

redemption policy. Within thirty (30) days after receiving such notice, Bank may elect, upon written notice to Retailer, to terminate Retailer's ability to permit the sale of Value Cards to be charged to Accounts. Retailer shall not permit Value Cards to be used for payment on the Accounts. Except for the extended warranty plan provided by Guardsman, a division of The Valspar Corporation, as such plan exists on the date hereof, Retailer shall not permit the sale of any extended warranties or service contracts to be charged to Accounts unless (i) Retailer's obligations

thereunder are fully underwritten or guaranteed by one or more companies which may not be an affiliate of Retailer and which are otherwise reasonably acceptable to Bank; and (ii) Bank shall have previously approved the financing of such items in writing (which approval may be withheld in Bank's sole discretion).

(b) Bank's consent to the foregoing warranty or service contract program is subject to ongoing review by Bank and may be withdrawn if Bank determines at any time, in its sole discretion, that the underwriter's financial condition or the terms and conditions of such warranties or contracts create or may create a financial risk of loss to Bank. Bank shall have the right to review periodically any such warranty or service contract program or provider to assess its financial condition (and Retailer shall reasonably cooperate with such audits as appropriate). Notwithstanding the foregoing to the contrary, extended warranties provided by Bank or an affiliate of Bank may be charged to Accounts. Retailer shall be responsible for ensuring that any Value Cards and, even where approved by Bank, any extended warranties or service contracts, fully comply with all Applicable Laws. Nothing in this Section 6.10 shall restrict Retailer from selling products subject to normal manufacturer's warranties as long as no additional seller's warranties are provided. In addition to Bank's chargeback rights hereunder and Retailer's indemnification obligations under Section 12.1, Retailer shall indemnify Bank for any loss (including the costs of attorney's fees and disbursements) relating to any claim or claims for failure of Retailer or of a third party with or through which Retailer has contracted, if any, to provide the warranty or service offered or sold by or through Retailer, even if such warranty or services were approved by Bank.

6.11 Third Party Participation. As of the date of this Agreement, Retailer represents and warrants that no affiliate of Retailer is engaged in the business of selling goods or services to retail consumers other than those affiliates, if any, whose existence and retail consumer sales activities have been disclosed to Bank prior to the date hereof. Retailer shall not after the Effective Date permit any affiliate to charge any purchase to an Account or to submit any Charge Transaction Data to Bank without (i) the prior written consent of Bank; (ii) such affiliate having entered into a written agreement with Bank to be a "Retailer" hereunder (on such modified terms and conditions as Bank may require); and (iii) such affiliate having executed or authorized the filing of such additional documents (including but not limited to UCC financing statements) as Bank may require. Retailer has not and will not permit any licensee, subtenant or third party operating in or from a Retailer Store Location to accept Credit Cards for purchases by Cardholders without first obtaining Bank's prior written approval.

6.12 Sales Taxes and Related Record Retention.

(a) Retailer will pay when due any sales taxes relating to the sale of goods or services financed on Accounts and provide to Bank, upon request, a record of all sales taxes paid, identified by Account number and/or other information required by Retailer to identify Accounts, and sign forms and provide other information reasonably requested by Bank to recover any sales tax charged to any Account which has been written off by Bank. Bank shall reimburse Retailer for all reasonable expenses incurred by Retailer for copying, mailing or transmitting such documentation or data at the direction of Bank as contemplated by this Agreement.

(b) Retailer will retain a record of each purchase included in any Charge Transaction Data submitted to Bank under the Program for at least four (4) years from the date of each purchase (which record may be maintained in electronic format, but must show the Account number, amount of sales, use or excise tax included in each such purchase and the street address of the Retailer Store Location where each such purchase was made (or a store number or other information from which the street address of the location of the sale can be readily ascertained). Retailer will provide such information to Bank within twenty (20) days after Bank's request.

6.13 Use of Names and Marks. Retailer hereby grants Bank a nonexclusive, royalty-free, license within the Territory to use the Retailer Marks that are listed on Schedule 6.13 hereto, as such Retailer Marks may be revised, updated, substituted or replaced by Retailer from time to time, in connection with the establishment, administration and operation of the Program and the ownership and liquidation of the Accounts (including, without limitation, the exercise by Bank of all of its rights under this Agreement and under Applicable Law, and the fulfillment of all of Bank's obligations under this Agreement and under Applicable Law). Without the prior written consent of Bank, Retailer may not use Bank's (or any affiliate thereof) names or any related marks, logos or similar proprietary designations; provided, that Retailer may use Bank's business name, in the nominative sense, in connection with any credit disclosure verbiage included in any advertising of the Program (or any credit-based promotion offered thereunder) by Retailer.

6.14 Intellectual Property. All technology, software, or other material developed, invented, created or authored by either party in connection with the Program shall belong solely and exclusively to the developing party, including all intellectual property rights relating thereto.

6.15 Securitization. Bank and its affiliates may securitize, participate or otherwise convey or transfer an interest in, or pledge or create a lien in respect of, any or all of the Accounts and/or Indebtedness at any time during the Term; provided, that no such action will adversely effect any of the rights of Retailer to purchase the Accounts and Indebtedness in accordance with the terms of this Agreement. Retailer agrees to cooperate with Bank and its affiliates and use commercially reasonable efforts (without being required to incur any material out-of-pocket costs) to assist Bank and its affiliates in connection with any such matter.

6.16 Grant of Security Interest/Precautionary Filing.

(a) Both (i) against the possibility that it is determined that Article 9 of the UCC applies or may apply to the transactions contemplated hereby, and (ii) to secure payment of and performance by Retailer of any and all indebtedness, liabilities or obligations, now existing or hereafter arising pursuant to this Agreement, including indebtedness, liabilities and obligations that may be deemed to exist in the event of the applicability of Article 9 of the UCC to, and any recharacterization of, any transactions contemplated hereby, Retailer grants to Bank a security interest in all of Retailer's right, title and interest, if any, now existing or hereafter arising in all (i) Accounts, Account Documentation and Indebtedness, (ii) all deposits, credit balances and reserves on Bank's books relating to any such Accounts (including the Innovation Fund and Collateral Account), (iii) all goods financed on Accounts and returned to

Retailer by Cardholders for which Retailer has not repaid Bank, and (iv) all proceeds of any of the foregoing.

(b) Retailer represents and warrants that it has not and will not grant any security interest to, or authorize the filing of any financing statement in favor of, any person that would attach to or cover any of the property described in clauses (i) through (iv) of the preceding subsection (a) if, contrary to the intent of the parties to this Agreement, Retailer was determined to have any rights therein.

(c) Retailer agrees to, and will use reasonable efforts to cause its current and former Authorized Dealers to, cooperate fully with Bank, as Bank may reasonably request, in order to give effect to the security interests granted by this Section 6.16. Retailer hereby authorizes Bank to file such UCC-l (or, in the event of a change in Applicable Laws, comparable statements) as Bank deems necessary or appropriate to perfect such security interests. The UCC-1 Bank will file upon execution of this Agreement is attached hereto as Exhibit D. Retailer represents and warrants that as of the date hereof the following are the true and correct corporate names and states of organization of the entities defined collectively herein as "Retailer": (i) Ethan Allen Global, Inc., incorporated in the State of Delaware; and (ii) Ethan Allen Retail, Inc., incorporated in the State of Delaware. Retailer agrees to provide Bank with thirty (30) days' prior written notice of any change in any of the foregoing corporate name, or any state of incorporation.

(d) Unless Bank shall have otherwise consented in writing, Retailer shall not create, assume or suffer to exist any lien on any of its right, title or interest under this Agreement or in the proceeds thereof.

6.17 In-Store Payments. Retailer shall not accept any payment on an Account. Retailer will make available to Cardholders at all Retailer Store Locations (and at such other locations or venues at or through which Cardholders may seek information about the Program) the address to be used for making payments on Accounts directly to Bank. If notwithstanding the foregoing, Retailer inadvertently receives any payment on an Account, Retailer agrees that it will receive and hold such payment in trust for Bank and will promptly (but not later than three (3) business days after receipt thereof) deliver such payment to Bank in the form received together with such endorsements or other documents of assignment as may be necessary to permit Bank to receive the benefit thereof to the same extent as if payment had been made directly to Bank.

6.18 Relationship Managers. Bank and Retailer shall each designate one employee (with sufficient authority to facilitate decision-making on behalf of Bank and Retailer, respectively, and with sufficient knowledge and experience to effectively and efficiently manage the relationship contemplated hereby) who shall be charged with day-to-day administrative responsibility for the Program (each, a "Relationship Manager") during the Term, and who shall make available a sufficient amount of his or her working time, attention, skill, and efforts necessary to furthering the interests of the Program. Either party may replace its Relationship Manager at any time upon notice to the other party, so long as the replacement Relationship Manager meets the foregoing qualifications. The Relationship Manager who is assigned and may be changed by Bank from time to time and may also serve in such capacity for such other

Bank or Bank affiliate programs as Bank or Bank affiliate may direct during the Term, however Retailer shall remain the primary client of the Relationship Manager with a minimum of sixty percent (60%) of the Relationship Manager's time allocated to the Program. The Relationship Manager shall work with Dealer Store Locations and Retailer Store Locations with the goal of improving all aspects of the Program for their respective stores in accordance with the current marketing plan. If the Relationship Manager changes, Bank will use commercially reasonable efforts to provide at least forty-five (45) days of training to the new Relationship Manager before he or she assumes sole responsibility for that position.

6.19 Periodic Program Reports. Following the end of each calendar month during the Term, Bank will prepare and send to Retailer a report containing information about the Program during such period. The specific form and content of such report shall be determined by Bank and Retailer, subject to Bank's available internal customer reporting capabilities as in effect on the Effective Date (as the same may be amended from time to time), but in any event shall include (i) applicant and Cardholder demographics for such period, (ii) information pertaining to sales volume charged to Accounts for such period, (iii) application approval rate information for such period, (iv) a summary of other pertinent statistical data pertaining to the Program for such period, and (v) open-to-buy reports as requested by Retailer from time to time.

6.20 POS Units. With respect to POS Units supplied to Retailer by Bank or an affiliate of Bank, Retailer agrees to (i) maintain the POS Units in good working order, (ii) return such equipment at Bank's request to such location as Bank may specify all at Retailer's expense, and in substantially the same condition as when first delivered by Bank or its affiliate to Retailer, ordinary wear and tear excepted. Retailer acknowledges that (x) it has no ownership interest in any POS Unit, and (y) each POS Unit is provided "AS IS", without warranty of any kind, except that Bank will promptly repair or replace any POS Unit that does not function according to its accompanying specifications when used as intended and in accordance with the specifications (and assuming no abuse of Retailer).

6.21 Drop-Ship Purchases. ***

6.22 Responsibilities with Respect to Dealers.

Without derogating from the rights and responsibilities of Bank and Retailer with respect to the Program as provided for herein, the following terms and conditions shall apply to Bank and Retailer with respect to the application of the Program to Dealers.

(a) During the Term, Bank's responsibilities in conducting the Program include the following:

(i) Extend consumer credit to qualified customers of Authorized Dealers in accordance with this Agreement, the Bank Dealer Agreements and the Cardholder Agreements.

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(ii) Provide, or cause its affiliate to provide, Authorized Dealers with POS Units or another process for the transmission of charge transaction data and applications to Bank.

(iii) Provide Authorized Dealers with the documents and forms to be used in connection with the Program.

(iv) Provide training to personnel of Authorized Dealers at times that are mutually agreed to by Bank and applicable Authorized Dealers.

(v) Comply with the service level performance commitments contained in Schedule 9.2(m).

(b) During the Term, Retailer's responsibilities in conducting the Program include the following:

(i) Promote the Program to Dealers and encourage Dealers to participate in the Program.

(ii) Encourage Authorized Dealers to promote the establishment and use of Accounts as the preferred method of payment for purchases of products and services from Authorized Dealer.

(c) Bank and Retailer acknowledge that each Dealer may elect, in its discretion, to execute or refrain from executing a Bank Dealer Agreement. Neither Bank nor Retailer shall advise any Dealer to the contrary. Execution of a Bank Dealer Agreement is a prerequisite to a Dealer's participation in the Program. As Dealers agree to participate in the Program and to execute Bank Dealer Agreements, Bank will provide Retailer with, and periodically update, a listing of all such Authorized Dealers. All terms and conditions applicable to Authorized Dealers' participation in the Program shall be governed by the Bank Dealer Agreements. Notwithstanding anything to the contrary in this Agreement, Bank, in its discretion, shall have the right to reject any proposed Authorized Dealer or to terminate any Authorized Dealer's participation in the Program to the extent provided for in the applicable Bank Dealer Agreement.

(d) Bank shall provide Authorized Dealers with notice of (i) any adjustments to any percentage used in calculating fees payable by Authorized Dealers to Bank with respect to any purchase financed on an Account; (ii) any decision to discontinue a credit-based promotion; (iii) any agreement by Bank and Retailer to offer a credit-based promotion not included on Schedule 3.5, as well as such other terms and conditions as Bank and Retailer agree shall apply to such credit-based promotion; and (iv) any amendment to the Operating Procedures. Unless otherwise agreed to by Bank and Retailer, all percentages used in calculating fees applicable to each submission of charge transaction data by Authorized Dealers pursuant to the terms and conditions of the Bank Dealer Agreements shall be the same as are applicable to Retailer under this Agreement.

(e) Bank will bear all credit losses on Accounts other than as provided in Section 6.1(b) hereof and as permitted by Bank's chargeback rights under the Bank Dealer Agreements.

(f) Retailer shall notify Bank within three (3) business days of all instances where (i) Retailer ceases accepting orders for goods and/or services from any Authorized Dealer, or (ii) the relationship between Retailer and an Authorized Dealer is terminated, in which event Bank shall promptly give written notice of termination consistent with the terms of the Bank Dealer Agreement with such Authorized Dealer and will thereafter discontinue such Authorized Dealer's participation in the Program.

(g) Retailer shall provide such assistance as is reasonably requested by Bank relating to, in connection with or arising out of any dealings with any current or former Authorized Dealer, and cooperate with Bank in connection with any such matters. In determining assistance Retailer may be reasonably expected to provide, Bank acknowledges that current and former Authorized Dealers are not under Retailer's corporate control and that Retailer may or may not have any contractual right to insist that current and former Authorized Dealers take or refrain from taking any particular action that Bank may request.

(h) In the event that (i) a current or former Authorized Dealer which (A) is bankrupt or no longer engaged in business as the same form of entity, (B) has received a Special Order Deposit on an Account, and (C) did not deliver to the Cardholder the Special Order Goods purchased in connection with such Special Order Deposit, and (ii) Bank has been unable to successfully chargeback to such Authorized Dealer the amount of such Special Order Deposit, then Retailer shall make commercially reasonable and good faith efforts to provide such Special Order Goods (and, if so provided, may submit a charge slip to Bank for the amount of the purchase less the amount of such Special Order Deposit). If Retailer does not make commercially reasonable and good faith efforts to deliver such Special Order Goods to the Cardholder, Retailer will pay Bank the amount of such Special Order Deposit immediately upon Bank's demand if the Cardholder refuses to pay such amount to Bank. Retailer shall cooperate with Bank in Bank's efforts with resolving Cardholder disputes with current and former Authorized Dealers arising out of bona fide claims of dissatisfaction with the Special Order Goods purchased from such current and former Authorized Dealers.

(i) Bank shall not make or agree to make any changes to any Bank Dealer Agreement that are more favorable than the terms of this Agreement.

ARTICLE 7 - CHARGEBACKS

7.1 Chargeback Rights. Bank will have the right to chargeback to Retailer any Indebtedness related to Charge Transaction Data submitted by Retailer if, with respect to the corresponding charge or credit or the related Charge Transaction Data or the underlying transaction:

(a) The Cardholder disputes a charge and Retailer cannot provide Bank with the applicable charge slip that resolves the dispute within twenty (20) days after Bank's request;

(b) The Cardholder or any person in whose name an Account was opened disputes the existence of an Account and Retailer has not provided Bank with an executed application that resolves the dispute;

(c) The Cardholder disputes the amount of an Account and/or refuses to pay alleging dissatisfaction with products or services received, a breach of any warranty or representation by Retailer in connection with the transaction, or an offset or counterclaim based on an act or omission of Retailer, provided that any such dispute(s) constitutes a bona fide claim presented by a Cardholder in good faith in the reasonable opinion of Bank;

(d) Retailer failed to comply with any Operating Procedure(s) with respect to any charge, credit, or Account, or Bank determines that any charge, credit or Account was subject to any acts of fraud performed by or in collusion with Retailer's employees, contractors or agents;

(e) Retailer fails to deliver Special Order Goods purchased at Retailer Store Locations;

(f) Retailer fails to deliver Special Order Goods purchased in connection with Special Order Deposits at current or former Dealer Store Locations as provided in Section 6.22(h);

(g) Retailer fails to deliver or cause the delivery of any products purchased in connection with a Drop-Ship Purchase;

(h) The Cardholder disputes the amount or existence of, or otherwise refuses to pay, all or any portion of the Indebtedness resulting from a Card-Not-Present Purchase;

(i) Bank determines that any warranty made by Retailer pursuant to Section 11.2 was false or inaccurate in any respect when made; or

(j) The Cardholder refuses to pay any amount which represents a Restocking Fee.

If the full amount or any portion of any charge is charged back, Bank will assign, without recourse, all rights to payment for the amount charged back to Retailer upon the request of Retailer.

ARTICLE 8 - EXCLUSIVITY

8.1 Exclusivity. Retailer will not (and will cause its affiliates not to) (a) directly or indirectly, accept for payment, promote, sponsor, solicit, permit solicitation of, or make available to retail consumer customers of Retailer or any of its affiliates or Dealers or otherwise provide, any consumer credit, charge or online payment program, plan or vehicle in the Territory, whether or not it bears, uses or refers to any trade names of Retailer, or that in any way competes with the Program, other than (i) any program offered by Bank or an affiliate of Bank, (ii) any generally accepted multi-purpose credit or charge cards or by generally accepted multi-purpose debit or secured cards in each case, such as American Express, MasterCard, Visa and Discover cards

(provided that none of the cards referred to in this clause (ii) may be "co-branded," "sponsored" or "co-sponsored" with Retailer or bear Retailer's name or marks), or (iii) a Second Source Program, or (b) promote any other charge or credit payment vehicle in the Territory not otherwise prohibited hereby (*e.g.* any cards referenced in clause (a)(ii) above) more favorably than Accounts and Credit Cards as a method for the payment of Retailer's goods and services.

8.2 Right of First Refusal.

(a) Retailer will not (and will cause its affiliates not to) directly or indirectly accept for payment, promote, sponsor, solicit, permit solicitation of, or make available to customers of Retailer or its Dealers any retail consumer credit financing program or financial product or service in the Territory or enter into any agreement to outsource to a third party any such program or product or service in the Territory, without entering into good faith discussions for at least sixty (60) days with Bank for Bank to provide such program or product or service. If after such discussions, Bank and Retailer have not reached agreement, Retailer will have the right, during the next twelve (12) month period, to enter into negotiations with third parties regarding the provision of such program or product or service. If Retailer does not enter into a final, written agreement regarding the provision of such program or product or service with a thirty party within such twelve (12) month period, Retailer shall be obligated to enter into good faith discussions with Bank, in accordance with this Section 8.2(a), prior to entering into any agreement regarding the provision of such program or product or service.

(b) In the event that after the Effective Date Retailer or any of its affiliates, directly or indirectly, acquires (i) all or substantially all of the assets of a New Retailer, (ii) more than 50% of the outstanding voting securities of a New Retailer or (iii) the power to direct or cause the direction of any New Retailer's management or policies, whether through the ownership of securities, control of its board of directors, contract or otherwise (each, an "Acquired New Retailer"), then, unless Bank otherwise indicates in writing, Retailer shall cause such Acquired New Retailer to not (and will cause its affiliates not to) directly or indirectly accept for payment, promote, sponsor, solicit, permit solicitation of, or make available any financing program or financial product or service in the Territory to customers of such Acquired New Retailer or enter into any agreement to outsource to a third party any such product or service in the Territory to customers of such Acquired New Retailer, without entering into good faith discussions for at least sixty (60) days with Bank for Bank to provide such product or service, provided that such obligations shall be subject to the terms and conditions of any agreement to which an Acquired New Retailer is party as of the date it is acquired by Retailer. If after such discussions, Bank and Retailer have not reached agreement, Retailer will have the right, during the next twelve (12) month period, to enter into negotiations with third parties regarding the provision of such product or service. If Retailer does not enter into a final, written agreement regarding the provision of such product or service with a thirty party within such twelve (12) month period, Retailer shall be obligated to enter into good faith discussions with Bank, in accordance with this Section 8.2(b), prior to entering into any agreement regarding the provision of such product or service.

ARTICLE 9 - TERM/TERMINATION

9.1 Program Term. This Agreement shall continue until the fifth (5th) anniversary of the Effective Date and shall automatically renew for additional one (1) year terms (each such period, a "Term"), unless either party shall give written notice to the other party at least six (6) months prior to the end of the scheduled expiration of such Term of its intention to terminate the Program; provided, that if Bank has not provided Retailer with notice of this automatic renewal provision at least seven (7) months prior to the end of the scheduled expiration of such Term, then Retailer shall have thirty (30) days after the date of such notice to provide Bank notice of its intention to terminate the Program. If no notice of this automatic renewal provision is provided by Bank to Retailer prior to the date that is thirty (30) days prior to the end of the Term, then this Agreement shall expire at the end of the Term unless the parties shall otherwise mutually agree.

9.2 Termination of Agreement. Notwithstanding anything in Section 9.1 to the contrary, this Agreement may be terminated prior to the end of any Term as provided below:

(a) If a party breaches any covenant or agreement contained in this Agreement (i) which does not involve the payment of money to the other party hereto

and such breach continues for a period of thirty (30) days after the non-breaching party has given written notice of the breach, or (ii) which involves the payment of money to the other party hereto and such breach continues for a period of fifteen (15) days after the non-breaching party has given written notice of the breach, then, in either case, the non-breaching party shall have the right to terminate this Agreement. The foregoing clause (ii) notwithstanding, the failure of a party to make a payment due hereunder shall not give rise to a termination right in the other party if the amount which such party has failed to pay is less than $25,000 and such party, acting in good faith, has delivered a written notice to the other party contesting its obligation to make such payment. In any case, to be effective, a termination notice must be delivered within sixty (60) days after the expiration of the applicable notice periods. This Agreement will terminate one hundred and twenty (120) days after delivery of such notice of termination.

(b) If any representation or warranty made by a party proves not to have been true and correct in all material respects as of the date when made, then the other party shall have the right to terminate this Agreement. In order to be effective, the notice of termination must be delivered within sixty (60) days after the date such other party first becomes aware that such representation or warranty is not true and correct. This Agreement will terminate one hundred and twenty (120) days after delivery of such notice of termination.

(c) If a party (i) is no longer Solvent; (ii) generally does not pay its debts as such debts become due, or admits in writing its inability to pay its debts generally; (iii) makes a general assignment for the benefit of its creditors, (iv) has any proceeding instituted by or against it seeking to adjudicate it bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency, or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property; or (v) takes any corporate action to authorize any of the actions set forth above in (i) through (iv) above, then the other party shall have the right to terminate this Agreement. In order to be effective, the notice of

termination must be delivered within one hundred and eighty (180) days after such other party becomes aware of the occurrence of such event; provided, that in the case of an occurrence under clause (iv), this Agreement shall terminate automatically unless the parties shall mutually agree in writing to continue the Program. In any case in which notice is required for termination, this Agreement will terminate upon delivery of such notice.

(d) If, with respect to Retailer, any of the following events occur, then Bank shall have the right to terminate this Agreement: (i) any person or group of persons acquires, after the date of this Agreement, beneficial ownership of fifty percent (50%) or more of the combined voting power of the then outstanding voting securities of Retailer entitled to vote generally in the election of directors; (ii) the stockholders of Retailer approve a reorganization, merger or consolidation (each a "Reorganization"), in each case through which the persons who were the respective beneficial owners of the voting securities of Retailer immediately prior to such Reorganization do not beneficially own, following such Reorganization, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation, as a result of such Reorganization; or (iii) all or substantially all of the assets or property of Retailer are sold or otherwise disposed of in one transaction or a series of related transactions; provided, that Bank shall not have the right to terminate this Agreement if all or substantially all of the assets or property of Retailer are sold or otherwise disposed of in one transaction or a series of related transactions to an Affiliate of Retailer (i) that has a credit strength that in Bank's reasonable judgment is as good or better than Retailer and (ii) that has entered into an agreement reasonably acceptable to Bank pursuant to which such Affiliate of Retailer has assumed the obligations of Retailer under this Agreement. In order to be effective, the notice of termination must be delivered within one hundred and eighty (180) days after Bank becomes aware of the occurrence of such event. This Agreement will terminate one hundred and twenty (120) days after delivery of such notice of termination.

(e) If Retailer is in default under any loan agreement, indenture or other instrument relating to any indebtedness for borrowed money in an amount greater than *** and any person has accelerated such indebtedness, then Bank shall have the right to terminate this Agreement. In order to be effective, the notice of termination must be delivered within sixty (60) days after Bank becomes aware of the occurrence of such event. This Agreement will terminate sixty (60) days after delivery of such notice, unless the accelerated indebtedness is paid in full prior to the end of such sixty (60) day period.

(f) If a material adverse change has occurred in the operations, financial condition, business or prospects of Retailer, which Bank has determined, in good faith, has had, or is reasonably likely to have, a material adverse effect on the ongoing operation or continued viability of the Program, then Bank shall have the right to terminate this Agreement. In order to be effective, the notice of termination must be delivered within sixty (60) days after the terminating party makes such determination. This Agreement will terminate sixty (60) days after delivery of such notice of termination.

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(g) Bank shall have the right to terminate the Agreement upon written notice if (i) usury rates for the State of Utah (or any other State in which the Bank may choose to locate) change, laws regulating Bank's rate or fee structure change, or federal or state laws, regulations or other authority preempt the exportation of Bank's rate or fee structure; (ii) Bank determines, in good faith, that any of the foregoing has had, or is reasonably likely to have, a material adverse effect on Bank's ability to provide the Program or perform the transactions contemplated hereby or on Program economics; (iii) Bank has sought to engage Retailer in a good-faith renegotiation of the terms of this Agreement; (iv) the parties hereto have not agreed to modifications to the terms of this Agreement that Bank reasonably believes necessary to prevent a material adverse effect on the economics of the Program or on Bank (or on its ability to perform the transactions contemplated by this Agreement) resulting from the change in usury rates or other laws regulating Bank's rate or fee structure or the exportation thereof; and (v) either Bank is required to initiate changes to the Program to comply with Applicable Law or more than one hundred and twenty (120) days have passed since Bank first sought to engage Retailer in a good faith renegotiation of the terms of this Agreement.

(h) If any judicial or administrative agency or body determines that the Program does not qualify (or if Bank reasonably determines that there is a material risk that the Program will not qualify) as an "open-end" credit facility under Regulation Z, 12 C.F.R. 226.2(a)(20), then Bank shall have the right to terminate this Agreement. In order to be effective, the notice of termination must be delivered within sixty (60) days after such determination. This Agreement will terminate upon delivery of such notice of termination.

(i) If a final judgment or judgments for the payment of money in an amount in excess of the Applicable Judgment Threshold is rendered against Retailer and the same is not either (i) covered by insurance where the insurer has affirmatively and expressly accepted liability therefore or (ii) vacated, stayed, bonded, paid, or discharged prior to expiration of the applicable appeal period, then Bank shall have the right to terminate this Agreement. In order to be effective, the notice of termination must be delivered within sixty (60) days after Bank becomes aware of the occurrence of such event. This Agreement will terminate sixty (60) days after delivery of such notice of termination. ***

(j) If Bank declines to increase the Credit Review Point then in effect pursuant to Section 6.6(b), then Retailer may terminate this Agreement. In order to be effective, the notice of termination must be delivered within sixty (60) days after Bank notifies Retailer pursuant to Section 6.6(b). This Agreement will terminate one

hundred and twenty (120) days after Retailer's delivery of such notice of termination; provided, that as of the first date on which the aggregate Indebtedness for all Accounts exceeds the Credit Review Point then in effect, the Agreement shall automatically terminate unless the parties shall mutually agree in writing to continue the Program.

(k) Bank shall have the right to terminate the Agreement if Retailer shall fail to deliver or amend an Eligible Letter of Credit as required pursuant to Section 4.4. In order to be effective, the notice of termination must be delivered within sixty (60) days after Bank

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becomes aware of the occurrence of such event. This Agreement will terminate ten (10) days after delivery of such notice of termination.

(l) Bank shall have the right to terminate the Agreement upon written notice to Retailer if (a) Ethan Allen Interiors Inc. shall breach its agreement to deliver a guarantee in substantially the form of Exhibit A hereto (the "Guaranty") as required pursuant the signature page hereof, (b) at any time after being delivered to Bank the Guaranty shall cease to be in full force and effect, or (c) Ethan Allen Interiors Inc. shall have delivered to Bank notice of its intent to limit its obligations under the Guaranty pursuant to the terms thereof.

(m) Retailer shall have the right to terminate the Agreement upon written notice to Bank if Bank shall have breached any service level performance commitment contained in Schedule 9.2(m). In order to be effective, the notice of termination must be delivered within sixty (60) days after Retailer becomes aware of the occurrence of such event. This Agreement will terminate ninety (90) days after delivery of such notice of termination.

(n) Either Bank or Retailer shall have the right to terminate the Agreement upon written notice to the other party hereto, if the performance by the other party of its obligations under this Agreement is prevented or materially impeded, without ability to cure, for a period of not less than 60 consecutive days by a Force Majeure Event.

(o) ***

ARTICLE 10 - POST TERM PROVISIONS

10.1 Purchase of Accounts by Retailer upon Termination.

(a) Retailer will have the option, exercisable as provided below, to purchase, or to arrange for the purchase of, not less than all of the Accounts and related Indebtedness (other than Accounts that have been written-off by Bank) upon the termination or expiration of this Agreement for a purchase price payable in immediately available funds in an amount equal to ***

(b) Retailer's option to purchase, or arrange for the purchase of, the Accounts and Indebtedness under Section 10.1(a) may be exercised as follows:

(i) If the Agreement is expiring based on either party's decision not to renew it under Section 9.1, Retailer may exercise its purchase option by giving notice of such election at least ninety (90) days prior to the expiration of the Agreement. Retailer must thereafter complete such purchase on the first business day after the expiration of this Agreement.

(ii) If the Agreement terminates pursuant to Section 9.2 following the delivery of a termination notice by Retailer, Retailer must exercise its option by giving notice of

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such election with such termination notice. Retailer must thereafter complete such purchase within one hundred twenty (120) days after the effective date of such termination.

(iii) If the Agreement terminates pursuant to Section 9.2 following the delivery of a termination notice by Bank, Retailer may exercise its option by giving notice of such election within thirty (30) days following delivery of such notice of termination. Retailer must thereafter complete such purchase within ninety (90) days after the effective date of such termination.

(c) If Retailer exercises its right to purchase, or arrange for the purchase of, the Accounts and Indebtedness under Section 10.1(b):

(i) Retailer and Bank agree to work in good faith to prepare the necessary purchase documents on terms and conditions that are reasonable and customary for the industry.

(ii) Retailer will bear all expenses of conversion of the Accounts and Indebtedness to Retailer or its designee.

10.2 Bank's Rights Upon Termination. If Retailer does not exercise its option to purchase, or arrange for the purchase of, the Accounts and related Indebtedness upon the expiration or earlier termination of the Agreement pursuant to Section 10.1, *** Bank will have the right, in addition to and without waiving any other rights it may have under the terms of this Agreement or Applicable Law, to (i) liquidate any or all of the Accounts; (ii) convert the Accounts to another credit or charge program maintained by Bank or any of its affiliates, or (iii) sell the Accounts, whether by securitization or otherwise to any third party. Following the termination or expiration of the Term, at Bank's election Bank may continue to provide purchase authorizations and extend financing under the Program on Accounts existing as of the effective date of such termination or expiration (it being understood that no new Accounts shall be opened after such effective date) for up to one hundred twenty (120) days in order to effect the conversion solicitation contemplated above and Retailer shall accept the Credit Cards for such period for purposes of such add-on purchases; provided that such one hundred twenty (120)

day period shall be extended an additional day for each day after such expiration or termination during which Retailer retains the right to purchase the Accounts under Section 10.1 (up to the number of days preceding the expiration of the applicable notice period under Section 10.1(b)(ii) or (iii), as the case may be); and, provided further, for the avoidance of doubt, that Retailer shall not be bound by the exclusivity obligations set forth in Section 8.1 during such one hundred twenty (120) day period. Following the termination or expiration of the Term, Retailer will cooperate with Bank and take any action reasonably requested by Bank, and Bank may use the Retailer Marks that are listed on Schedule 6.13 hereto, as such Retailer Marks may be revised, updated, substituted or replaced by Retailer from time to time, to communicate with Cardholders and authorized users in connection with (i) the billing and collection of such Accounts but only to the extent consistent with Bank's practices prior to the termination or expiration of the Term

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and (ii) the liquidation, substitution, conversion or sale of such Accounts but only to the extent necessary to identify the Program as the subject of such substitution, conversion or sale.

10.3 Survival Provisions.

(a) Except as is expressly provided to the contrary in this Agreement, all of the terms, conditions and covenants of this Agreement (including the applicable provisions of Section 2.2 that relate to Retailer's retail practices, Cardholder transactions, billing, customer servicing, settlement, chargeback and dispute handling) will continue in effect following the expiration or termination of the Term until the Final Liquidation Date.

(b) In addition, all warranties, representations and indemnities contained in this Agreement, and the parties' obligations under Sections 6.1 (Ownership of Accounts), 6.2 (Ownership and Use of Cardholder Information), 6.12 (Sales Taxes and Related Record Retention), 6.14 (Intellectual Property), and Articles 10 and 13 (other than Section 13.16), will survive the termination of this Agreement and the Final Liquidation Date.

ARTICLE 11 - REPRESENTATIONS AND WARRANTIES

11.1 Representations and Warranties. Each party makes the following representations and warranties to the other party as of the date of this Agreement and on and as of each date on which Charge Transaction Data is transmitted to Bank:

(a) The complete legal name, correct organizational type and jurisdiction of incorporation or organization for such party are accurately set forth in the preamble paragraph hereto. Such party is duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation or organization, as the case may be.

(b) Such party has the requisite organizational power and authority to conduct its business as presently conducted and hereafter contemplated to be conducted and to execute, deliver and perform this Agreement.

(c) This Agreement has been duly executed and delivered by such party, and constitutes the legal, valid, and binding obligation of such party, enforceable against such party in accordance with its terms.

(d) The execution and delivery of this Agreement by such party and the consummation of the transactions contemplated hereby do not and will not (i) conflict with the organizational documents of such party, (ii) conflict with, or result in a breach of any provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under any material agreement of such party; or (iii) constitute a violation of any material order, judgment or decree to which such party is bound. No consent, approval, permit, waiver, authorization, notice or filing is required to be made or obtained in connection with the execution, delivery and performance by such party of this Agreement.

(e) All information furnished by such party to the other for purposes of or in connection with this Agreement is true and correct in all material respects and no such information omits to state a material fact necessary to make the information so furnished not

misleading. Except as disclosed to the other party, there is no fact known to such party (including, without limitation, threatened or pending litigation) that could materially and adversely affect the financial condition, business, property, or prospects of such party.

11.2 Presentment Warranties. With respect to each submission of Charge Transaction Data to Bank, Retailer represents and warrants as follows with respect to such Charge Transaction Data and each underlying transaction:

(a) All purchases included in the Charge Transaction Data constitute bona fide, arms-length sales by Retailer of the goods or services described therein in the ordinary course of Retailer's business; except in the case of Absentee Purchases, Drop-Ship Purchases or Special Order Deposits,Retailer has delivered all the products and fully performed all the services covered by the Charge Transaction Data; in the case of Absentee Purchases not involving a Special Order Deposit or Drop-Ship Purchase,Retailer has shipped all of the products and fully performed all the services covered by the Charge Transaction Data;

(b) The charges included in the Charge Transaction Data did not involve a cash advance or goods or services not listed in the applicable invoice or receipt; only goods and services sold by Retailer are included in the Charge Transaction Data; the charges represent the entire purchase price of the goods and services identified in the Charge Transaction Data other than a Special Order Deposit or bona fide down payment, deposit, or similar payment paid by cash or check, or financed by any means other than the Account;

(c) To the best of Retailer's knowledge, the goods and services covered by the Charge Transaction Data were sold by Retailer to Cardholders or authorized users for personal, family or household purposes;

(d) To the best of Retailer's knowledge, no other credit provider has financed a portion of any sales transaction included in the Charge Transaction Data other than a bona fide down payment, deposit, or similar payment paid by cash, check or bankcard (*e.g.* Visa, MasterCard, American Express);

(e) Except with respect to an Absentee Purchase or a charge slip containing only a Restocking Fee, Retailer obtained a signed invoice or receipt for each charge included in the Charge Transaction Data;

(f) Except to the extent prevented by a Force Majeure Event, all purchases included in the Charge Transaction Data occurred no earlier than three (3) days prior to the submission of such Charge Transaction Data; and all transactions included in the Charge Transaction Data were conducted in accordance with the Operating Procedures, this Agreement and all Applicable Laws; and

(g) Each invoice or receipt included in the Charge Transaction Data (or, in the case of Absentee Purchases, the purchase information in the Charge Transaction Data) is not invalid, illegible, inaccurate or incomplete and has not been materially altered since being signed or submitted by the Cardholder; except as otherwise required to comply with Applicable Laws, the Account number and name of the Cardholder has been accurately printed on each charge slip and has been included in each transmission of Charge Transaction Data; Retailer

has obtained a valid authorization from Bank for each purchase (unless otherwise waived by Bank).

ARTICLE 12 - INDEMNIFICATION

12.1 Indemnification by Retailer. Retailer agrees to indemnify and hold harmless Bank, its affiliates, and their respective employees, officers, directors and agents, from and against any and all Damages to the extent such Damages arise out of, are connected with, or result from:

(a) Any breach by Retailer of any of the terms, covenants, representations, warranties or other provisions contained in this Agreement;

(b) Any products or services sold by Retailer or any products or services sold by Authorized Dealers (but only to the extent manufactured, produced or distributed by Retailer), in either case, including, without limitation, any failure to provide the product or service as promised, any product defects, or product liability or warranty claims relating thereto, except to the extent such Damages result from a modification to such products or services by Authorized Dealers or other third parties;

(c) Any act or omission, where there was a duty to act, by Retailer or its employees, officers, directors or agents including without limitation, the failure of Retailer to comply with any law, rule or regulation applicable to Retailer;

(d) Any advertisements, solicitations or other promotions of the Program or of goods or services eligible for purchase under the Program conducted by or on behalf of Retailer (excluding those conducted by Bank);

(e) Any claims, suits, proceedings or actions brought by, or threatened by, any Dealer, based on or in connection with this Agreement or the Program, except to the extent arising out of a breach by Bank of this Agreement or a Bank Dealer Agreement;

(f) The acquisition by Retailer from Bank, in connection with a charge or credit to an Account, of a Cardholder's Account number by telephone or by some other means (other than from the applicable Credit Card), except to the extent such Damages result from Bank providing Retailer with an Account number that is not the Cardholder's Account number requested by Retailer;

(g) Bank's use of the Retailer Marks in accordance with the terms of this Agreement; or

(h) Any activities, acts or omissions of any third party to whom Cardholder Information is transferred or made available by or on behalf of Retailer, including without limitation, information transferred or made available to a third party by Bank on Retailer's behalf.

The foregoing indemnity obligation of Retailer shall not apply to any Damages of Bank to the extent caused by the gross negligence, willful misconduct or illegal acts of Bank.

12.2 Indemnification by Bank. Bank agrees to indemnify and hold harmless Retailer, its affiliates, and their respective employees, officers, directors and agents, from and against any and all Damages to the extent such Damages arise out of, are connected with or result from:

(a) Any breach by Bank of any of the terms, covenants, representations, warranties or other provisions contained in this Agreement;

(b) Any act or omission, where there was a duty to act, by Bank or its employees, officers, directors, or agents, including without limitation, the failure of Bank to comply with any law, rule or regulation applicable to Bank;

(c) Any failure of the form of credit applications or Cardholder Agreement as prepared by Bank to comply with the Consumer Credit Protection Act, the Truth in Lending Act, the Fair Debt Collection Practices Act, the Equal Credit Opportunity Act, the Fair Credit Billing Act, the Fair Credit Reporting Act and the regulations implementing each of them;

(d) Any advertisements, solicitations or other promotions by or on behalf of Bank (other than those conducted by Retailer) of the Program; or

(e) Any activities, acts or omissions of any third party to whom Cardholder Information is transferred or made available by or on behalf of Bank (excluding Cardholder Information transferred by Bank to Retailer or any third party at Retailer's request).

The foregoing indemnity obligation of Bank shall not apply to any Damages of Retailer to the extent caused by the gross negligence, willful misconduct or illegal acts of Retailer.

12.3 Indemnification Procedures.

(a) A party entitled to indemnification will give prompt written notice to the indemnifying party of any claim, assertion, event, condition or proceeding by any third party concerning any liability or damage as to which it may request indemnification under this Article 12. The failure to give such notice will not relieve the indemnifying party from liability hereunder unless and solely to the extent the indemnifying party did not know of such third party claim and such failure results in the forfeiture by the other party of substantial rights and defenses.

(b) An indemnifying party will have the right, upon written notice to the indemnified party, to conduct at its expense the defense against such third party claim in its own name, or, if necessary, in the name of the indemnified party. When the indemnifying party assumes the defense, the indemnified party will have the right to approve the defense counsel and the indemnified party will have no liability for any compromise or settlement of any third party claim that is effected without its prior written consent (such consent not to be unreasonably withheld), unless the sole relief provided is monetary damages that are paid in full by the Indemnifying Party and such compromise or settlement includes a release of each indemnified party from any liabilities arising out of the third party claim. If the indemnifying party delivers a notice electing to conduct the defense of the third party claim, the indemnified party will, at the indemnifying party's expense, cooperate with and make available to the indemnifying party such assistance, personnel, witnesses and materials as the indemnifying

party may reasonably request. If the indemnifying party does not deliver a notice electing to conduct the defense of the third party claim, the indemnified party will have the sole right to conduct such defense and the indemnified party may pay, compromise or defend such third party claim or proceeding at the indemnifying party's expense. Regardless of which party defends the third party claim, the other party will have the right at its sole expense to participate in the defense assisted by counsel of its own choosing.

ARTICLE 13 - MISCELLANEOUS

13.1 Confidentiality.

(a) All material and information supplied by one party to another party under this Agreement, including, but not limited to, information concerning a party's marketing plans, objectives or financial results ("Confidential Information"), is confidential and proprietary. All such information will be used by each party solely in the performance of its obligations and exercise of its rights pursuant to this Agreement. Each party will receive Confidential Information from the other party in confidence and will not disclose such Confidential Information to any third party, except (i) as contemplated under this Agreement; (ii) as may be agreed upon in writing by the party providing such Confidential Information; (iii) to an affiliate of such party; (iv) to the extent necessary, in exercising or enforcing its rights; or (v) as required by law. Each party will use its reasonable best efforts to ensure that its respective officers, employees, and agents take such action as will be necessary or advisable to preserve and protect the confidentiality of Confidential Information. Upon written request after the Final Liquidation Date, each party will destroy or return to the party providing such Confidential Information all such Confidential Information in its possession or control. Confidential Information will not include information in the public domain and information lawfully obtained from a third party.

(b) Section 13.1(a) to the contrary notwithstanding, if Retailer or its affiliate is obligated to file periodic reports with the Securities and Exchange Commission, then Retailer shall have the right to file a copy of this Agreement with the applicable commission or governmental agency to the extent necessary, in Retailer's reasonable opinion, to comply with any applicable disclosure laws or regulations (including any reporting requirement of the Securities Exchange Commission), or any listing requirement of any stock exchange, including NASDAQ, applicable to Retailer; provided, that Retailer shall (i) notify Bank in writing not less than thirty (30) days prior to any such filing of this Agreement, (ii) redact such terms of this Agreement as Bank may reasonably request prior to any such filing, and (iii) file a confidential treatment request reasonably acceptable to Bank with respect to such redacted document as part of any such filing.

13.2 Binding Effect. This Agreement is binding upon and inures to the benefit of the parties hereto and their respective successors and permitted assigns.

13.3 Assignment. Neither Bank nor Retailer may assign its rights or delegate its obligations under this Agreement without the prior written consent of the other party, which consent will not be unreasonably withheld, provided that Bank may, without such consent (i) assign all or part of its rights and delegate some or all of its obligations under this Agreement to an affiliate; (ii) engage third parties to perform some or all of Bank's obligations under this

Agreement, including, without limitation the servicing and administration of Accounts; and (iii) assign all or some of its rights hereunder to any person acquiring any or all Accounts after the termination or expiration of this Agreement. Notwithstanding any assignment, Bank will remain liable for all of its obligations under this Agreement.

13.4 Governing Law. Except to the extent superceded by federal law applicable to banks or savings associations, this Agreement and all rights and obligations hereunder, including, but not limited to, matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of laws; provided, however, all issues under this Agreement relating to banking or financial institutions, interest rate exportation, and/or consumer lending or other consumer or Cardholder-related issues shall be governed by and construed in accordance with the laws of the State of Utah. THE PARTIES HERETO WAIVE THEIR RIGHT TO REQUEST A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING IN ANY COURT OF LAW, TRIBUNAL, OR OTHER LEGAL PROCEEDING ARISING OUT OF OR INVOLVING THIS AGREEMENT, OR ANY DOCUMENT DELIVERED IN CONNECTION HEREWITH, OR RELATING TO ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

13.5 Privacy.

(a) Retailer and Bank will only use, maintain and/or disclose Cardholder Information in compliance with all applicable privacy and security laws and with the policies set forth in this Section 13.5 and related disclosures made by Bank (collectively, the "Bank Privacy Disclosures"), and each will ensure that persons to whom it transfers Cardholder Information do the same. Retailer acknowledges that it is subject to the reuse and redisclosure provisions of the Gramm-Leach-Bliley Act (the "Gramm-Leach-Bliley Act" as defined in Title V, Subtitle A of 15 U.S.C. 6801 et seq. (as it may be amended from time to time) and the implementing privacy and security regulations

issued pursuant to the Gramm-Leach-Bliley Act (as the same may be amended from time to time)), and that it will ensure that Cardholder Information received from Bank under the "private label exception" found in the Gramm-Leach-Bliley Act is used only in connection with the Program and for no other purpose.

(b) Retailer and Bank will each establish and maintain appropriate administrative, technical and physical safeguards to protect the security, confidentiality and integrity of the Cardholder Information. These safeguards will be designed to protect the security, confidentiality and integrity of the Cardholder Information, ensure against any anticipated threats or hazards to its security and integrity, and protect against unauthorized access to or use of such information or associated records which could result in substantial harm or inconvenience to any Cardholder or applicant.

(c) Retailer and Bank will each ensure that any third party to whom it transfers or discloses Cardholder Information signs a written contract with the transferor in which such third party agrees to (i) restrict its use of Cardholder Information to the use specified in the written contract; (ii) to comply with all Applicable Laws (including, without limitation, privacy and security laws and the reuse and redisclosure provisions of the

Gramm-Leach-Bliley Act) and the Bank Privacy Disclosures, and (iii) implement and maintain appropriate safeguards as stated in paragraph (b) above. Information transferred by Bank on Retailer's behalf or at Retailer's direction will be considered information transferred by Retailer hereunder. Retailer agrees to transfer or make available to third parties only such Cardholder Information as is reasonably necessary to carry out the contemplated task.

(d) Retailer and Bank shall notify the other party immediately following discovery or notification of any actual or threatened breach of security of the systems maintained by the Retailer and Bank, respectively. The party that suffers the breach of security (the "Affected Party") agrees to take action immediately, at its own expense, to investigate the actual or threatened breach, to identify and mitigate the effects of any such breach and to implement reasonable and appropriate measures in response to such breach. The Affected Party also will provide the other party with all available information regarding such breach to assist that other party in implementing its information security response program and, if applicable, in notifying affected Cardholders. For the purposes of this subsection (d), the term "breach of security" or "breach" means the unauthorized access to or acquisition of any record containing personally identifiable information relating to a Cardholder, whether in paper, electronic, or other form, in a manner that renders misuse of the information reasonably possible or that otherwise compromises the security, confidentiality, or integrity of the information.

(e) Notwithstanding anything else contained in this Agreement, neither Bank nor Retailer will, and neither of them will be obligated to, take any action that either of them believes in good faith would violate, or is reasonably likely to cause either of them to violate, any Applicable Law (including, without limitation, privacy and security laws and the reuse and redisclosure provisions of the Gramm-Leach-Bliley Act) or the Bank Privacy Disclosures, or that would cause either of them to become a "consumer reporting agency" for purposes of the federal Fair Credit Reporting Act, as it may be amended from time to time.

(f) Retailer and Bank, respectively, will use reasonable measures designed to properly dispose of all records containing personally identifiable information relating to Cardholders, whether in paper, electronic, or other form, including adhering to policies and procedures that require the destruction or erasure of electronic media containing such personally identifiable information so that the information cannot practicably be read or reconstructed.

13.6 No Third Party Beneficiaries. Except as otherwise expressly set forth in this Agreement, this Agreement does not confer upon any person, other than the parties, any rights or remedies under this Agreement.

13.7 Amendments. This Agreement may not be amended except by written instrument signed by Retailer and Bank.

13.8 No Partnership. Nothing contained in this Agreement will be construed to constitute Retailer and Bank as partners, joint venturers, principal and agent, or employer and employee.

13.9 Notices. All notices and communications given under this Agreement must be in writing and must be sent (i) by hand, (ii) by facsimile or email (with verbal confirmation of receipt), provided that if such notice pertains to a default by a party hereunder or the termination of this Agreement a copy of such notice shall also be provided by another method permitted under this Section 13.9, (iii) by certified mail, return receipt requested, or (iv) by nationally recognized overnight courier service addressed to the party to whom such notice or other communication is to be given or made as such party's address as set forth below and will be deemed given one (1) business day after being sent, as follows:

if to Retailer:	if to Bank:
Ethan Allen Global, Inc. Ethan Allen Drive Danbury, Connecticut 06813 Attn: Consumer Finance Manager sfanning@ethanalleninc.com	GE Money Bank 4246 South Riverboat Road, Suite 200 Salt Lake City, Utah 84123-2551 Attn: President
with a copy to:	with a copy to:
Ethan Allen Global, Inc. Ethan Allen Drive Danbury, Connecticut 06813 Attn: General Counsel pbanks@ethanalleninc.com	GE Money Sales Finance 950 Forrer Boulevard Kettering, Ohio 45420 Attn: Counsel

provided, however, that a party may notify the other party in writing (in accordance with the notice provisions in this Section) from time to time of an alternative address for notices under this Section and, in such case, notices hereunder will be effective if sent to the last address so designated.

13.10 Incorporation of Appendix. The Appendix attached hereto is hereby incorporated by reference.

13.11 Nonwaiver; Remedies Cumulative; Severability. All remedies are cumulative and not exclusive, and no delay in exercising a right will be deemed a waiver thereof. If any provision of this Agreement is held to be invalid, void or unenforceable, all other provisions will remain valid and be enforced and construed as if such invalid provision were never a part of this Agreement.

13.12 Damages Waiver. Notwithstanding anything to the contrary in this Agreement, Bank and Retailer shall not be liable to the other under or in connection with this Agreement or the Program for any indirect or consequential or other damages relating to prospective profits, income, anticipated sales or investments, or goodwill, or for any punitive or exemplary damages; provided, that the damages limitation set forth in this Section 13.13 shall not apply to any Damages arising out of the failure of the parties under Section 13.1 or 13.5, or from Damages which result from an obligation of Bank or Retailer to pay any third party damages claims to the extent such third party claims otherwise fall under Bank's or Retailer's respective indemnity obligations hereunder.

13.13 Entire Agreement. This Agreement (together with the schedules, exhibits and appendices attached to this Agreement) is the entire agreement of the parties with respect to the subject matter of this Agreement and supersedes all other prior understandings, writings and agreements whether written or oral, without limitation, the Original Agreement and all amendments thereto. Without limiting the generality of the foregoing, and with respect to those Accounts (as such term is defined in the Original Agreement) established under the Original Agreement, and with respect to all related indebtedness and account documentation, Bank and Retailer each acknowledge and reaffirm that, such Accounts, indebtedness and related account documentation, and each party's rights and obligations with respect thereto, shall be governed by the provisions of this Agreement, including, without limitation, the termination provisions set forth in Article 9, and the indemnification provisions of Article 12.

13.14 Further Assurances. Retailer and Bank agree to execute all such further documents and instruments and to do all such further things as any other party may reasonably request in order to give effect to and to consummate the transactions contemplated by this Agreement.

13.15 Multiple Counterparts. This Agreement may be executed in any number of multiple counterparts, all of which will constitute but one and the same original.

13.16 New Subsidiaries. In the event that any direct or indirect subsidiary of Retailer (other than an Acquired New Retailer) that is not a party to this Agreement on the date hereof (whether such subsidiary is now existing or hereafter created) shall be engaged in the ownership or operation of a retail store or the sale of goods and/or services through retail stores, mail orders or otherwise within the Territory, unless Bank otherwise indicates in writing, Retailer shall cause such subsidiary to execute and deliver to Bank instruments satisfactory to Bank pursuant to which such subsidiary shall agree to join the Program and be bound by the terms and conditions of this Agreement.

13.17 Joint and Several Obligations. Each obligation of Retailer hereunder shall be a joint and several obligation of each of Ethan Allen Global and Ethan Allen Retail. For purposes of this Agreement. (i) any discretionary action or election that is authorized or permitted to Retailer hereunder (e.g., purchase of the Accounts or termination of this Agreement) may be made or taken only by Ethan Allen Global and (ii) notice given or demand made upon any Retailer party shall be deemed to be notice given to or demand made upon all Retailer parties. Retailer covenants for the benefit of Bank to enter into such agreements and to make such other arrangements as may be necessary to provide Ethan Allen Global the power and authority to exercise all rights provided to Retailer hereunder and to ensure that each Retailer party receives copies of all such notices or demands from any other Retailer party hereunder. Whenever this Agreement requires that payments be made to Retailer, Bank may make such payments directly to any Retailer party, which Retailer party shall receive such payment in trust for itself and the other Retailer parties entitled to all or any portion thereof. Bank shall have no obligation to ensure and no liability for the correct application of any payments made by it among the different Retailer parties. Bank may exercise its chargeback rights under Article 7 against any Retailer party, regardless of which of the Retailer parties originated the corresponding Account or purchase transaction. The parties acknowledge that Retailer has established one bank account for all Retailer Store Locations where Bank submits payment for all Charge Transaction Data

and where chargebacks may be charged. Retailer reserves the right to change this bank account, from time to time, upon thirty (30) days prior notice to Bank.

Signature Page Follows

IN WITNESS WHEREOF, Retailer and Bank have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

RETAILER:	**BANK:**
ETHAN ALLEN GLOBAL, INC.	**GE MONEY BANK**
By: Name: Title:	By: Name: Title:

ETHAN ALLEN RETAIL, INC.

By:
Name:
Title:

Ethan Allen Interiors Inc. ("Parent") represents and warrants to Bank that: (a) Parent has no material assets other than its equity ownership of Ethan Allen Global and any other subsidiaries of Parent that are consolidated on Parent's consolidated financial statements referred to in Section 6.7(a) of this Agreement; (b) Parent's ownership interest in Ethan Allen Global constitutes not less than 100% of the equity ownership of Ethan Allen Global; and (c) Ethan Allen Global's ownership interest in Ethan Allen Retail constitutes not less than 100% of the equity ownership of Ethan Allen Retail. Parent agrees that, if at any time during the Term, any of the foregoing representations ceases to be correct, then Parent shall, within 10 days thereafter, execute and deliver to Bank a guarantee in substantially the form of Exhibit A hereto.

ETHAN ALLEN INTERIORS INC.

By

Its

EXHIBITS
Exhibit A – Parent Guarantee
Exhibit B – Officer's Certificate Regarding Financial Statements
Exhibit C – Officer's Certificate Regarding Ownership of Retailer
Exhibit D – Initial UCC Financing Statement

Appendix A
Definitions

A. Certain Defined Terms. As used in this Agreement, the following terms will have the following meanings:

"Absentee Purchase" means a purchase of any products or services from Retailer charged to an Account where the Account information necessary to effect the purchase is provided by the Cardholder or an authorized user on the telephone, by mail or through a Retailer Website.

"Account" means the legal relationship established by and between a Cardholder and Bank pursuant to a Cardholder Agreement, together with all Indebtedness owing thereunder from time to time and any current or future guaranties, security or other credit support therefor. For the avoidance of doubt, "Account" shall include all Accounts established under the Original Agreement.

"Account Documentation" means any and all Account information, credit applications, Cardholder Agreements, Charge Transaction Data, charge slips, credit slips, payments, credit information and documents or forms of any type and in any media relating to the Program, excluding materials used for advertising or solicitations.

"Acquired New Retailer" has the meaning given to it in Section 8.2(b).

"Active Account" means, as of any given date, any Account (other than an Account that has been written off in accordance with Bank's write-off policies) that had a debit or credit balance at any time after the beginning of the complete billing cycle immediately preceding such date.

"Aggregate Outstanding Indebtedness" means, as of any date of determination, an amount equal to the aggregate amount of Indebtedness on all Accounts (other than Accounts that have been written off by Bank) as of such date.

"Agreement" means this Second Amended and Restated Private Label Consumer Credit Card Program Agreement, including all schedules and appendices, as it may be amended from time to time.

"Alternate Debt Rating"means the KMV EDF rating program or any other rating program selected by Bank that is accepted in the credit card industry for rating the financial strength of retailers.

"Applicable Laws" means all applicable laws and regulations of any jurisdiction, including banking laws, consumer credit laws, securities laws, tax laws, tariff and trade laws, ordinances, judgments, decrees, injunctions, writs, orders, regulatory guidance, examinations, or orders.

"Authorized Dealer" means a Dealer: (i) that is an authorized dealer of Ethan Allen Global, (ii) that has been accepted by Bank to participate in the Program, and (iii) that has executed a Bank Dealer Agreement, except that a Dealer shall cease to be an Authorized Dealer if its Bank Dealer Agreement expires or is terminated or such Dealer's authority to participate in the Program is otherwise terminated in accordance with the terms of this Agreement.

"Average Net Receivables" means, for any period, the sum of Aggregate Outstanding Indebtedness for each day during such period, divided by the number of days in such period.

"Bank" has the meaning given to it in the recitals.

"Bank Dealer Agreement" means an agreement entered into by and between a Dealer and Bank, as the same may be modified initially and from time to time by agreement between such Dealer and Bank, which sets forth the terms and conditions upon which an Authorized Dealer may participate in the Program.

"Base Rate" means the percentage set by Bank used in calculating the Program Fee payable in connection with each submission by Retailer to Bank of Charge Transaction Data pertaining to purchases not made pursuant to a credit-based promotion.

"Card-Not-Present Purchases" means a purchase of Retailer's products and/or services financed on an Account (i) where the person transacting such purchase is in a Retailer Store Location and does not present a Credit Card relating to such Account, but states that he or she is a Cardholder or an authorized user, and Retailer does not do all of the following: (a) check such person's identification, (b) confirm such person's identity and status as a Cardholder or an authorized user prior to such purchase in accordance with the Operating Procedures, and (c) obtain such person's signature on the invoice; or (ii) where such purchase constitutes an Absentee Purchase.

"Cardholder" means any natural person who has entered into a Cardholder Agreement with Bank or which is or may become obligated under or with respect to an Account.

"Cardholder Agreement" means the open-end revolving credit agreement, in either tangible or electronic form, between Bank and each Cardholder pursuant to which such Cardholder and its authorized user(s), if any, may make purchases from Retailer and/or Authorized Dealers on credit provided by Bank under the Program.

"Cardholder Information" has the meaning given to it in Section 6.2.

"Charge Transaction Data" means Account and related Cardholder and/or authorized user identification and transaction information transmitted by Retailer to Bank with regard to a charge or a credit to an Account.

"Closure" means, with respect to any Store Location, the cessation of sales of goods and services from such Store Location for at least sixty (60) consecutive days for any reason, including without limitation, the occurrence of a Force Majeure Event, unless prior to the expiry of such 60-day period, Retailer or an Authorized Dealer opens a new Store Location within the same city or municipality offering substantially the same goods and services for sale.

"Collateral Account" has the meaning given to it in Section 4.4.

"Confidential Information" has the meaning given to it in Section 13.1.

"Credit Card" means the plastic card issued by Bank under the Program exclusively for use with the Program which evidences the right of a Cardholder and, if the Cardholder has so designated, any authorized user(s) to make purchases of goods and services from Retailer under the Program.

"Credit Review Point" ***

***CONFIDENTIAL PORTIONS HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE OMISSIONS.

"Damages" means any and all losses, liabilities, costs, and expenses (including, without limitation, reasonable attorneys' fees and expenses, reasonable out-of-pocket costs, interest and penalties), settlements, equitable relief, judgments, damages, claims (including, without limitation, counter and cross-claims, and allegations whether or not proven) demands, offsets, defenses, actions, or proceedings by whomsoever asserted.

"Dealer" means an independent dealer of Ethan Allen Global which sells products or services manufactured, distributed or delivered by Retailer.

"Dealer Store Location" means those retail stores owned or operated by an Authorized Dealer within the Territory.

"Debt Cancellation Program" means any program which may be offered through Bank pursuant to Section 4.3 under which Bank, any affiliate of Bank, or any third party makes available debt cancellation coverage to Cardholders.

"Delivery Obligations" means, as of any date, the sum of (i) all amounts owing under Sections 6.22(h), 7.1(e) or 7.1(f) hereof plus (ii) all amounts owing under Section 12.1 hereof to the extent, in the case of this clause (ii) only, such amounts arise from Retailer's failure to deliver in a timely fashion Special Order Goods purchased at Retailer Stores or to deliver Special Order Goods purchased at current or former Authorized Dealer Stores as provided in Section 6.22(h).

"Drop-Ship Purchase" means a purchase of products using Retailer's standard drop-ship order form charged to an Account that satisfies the following conditions:

(i) the purchase is made from, and the Charge Transaction Data related thereto is submitted by, Retailer, even in cases where the Cardholder or authorized user is making the purchase through a Dealer Store Location;

(ii) Retailer is responsible for ensuring that the purchased products are properly delivered; and

(iii) at the request of the Cardholder or authorized user, the purchased products are to be delivered by a delivery service center other than the delivery service center that services the Retailer Store Location or Dealer Store Location where such purchase was made.

"Effective Date" means July 23, 2007.

"Eligible Letter of Credit"shall mean a standby irrevocable Letter of Credit in form reasonably acceptable to Bank, satisfying the following conditions:

(i) the Letter of Credit shall not expire earlier than the first anniversary of the date of issuance or the date of any renewal thereof;

(ii) the Letter of Credit shall be issued or confirmed by a bank reasonably acceptable to Bank which is chartered under the laws of the United States and maintains offices located in the continental United States;

(iii) the Letter of Credit shall expressly permit multiple draws;

(iv) the Letter of Credit shall be assignable and transferable;

(v) payment under the Letter of Credit shall be made at the issuing or confirming bank's counters at one or more offices located in the continental United States upon presentation of a draft with an accompanying certificate from any officer of the Letter of Credit beneficiary to the effect either:

(A) that Retailer has failed to renew the Letter of Credit or provide a substitute Letter of Credit in accordance with Section 4.4 of this Agreement; or

(B) that Bank has issued a notice of termination of this Agreement or a circumstance exists that would entitle Bank to give notice of termination of this Agreement; or

(C) that Retailer has failed to pay when due any Delivery Obligations.

"Ethan Allen Global" has the meaning given to it in the recitals.

"Ethan Allen Retail" has the meaning given to it in the recitals.

"Final Liquidation Date" will mean the first day after the termination or expiration of this Agreement on which Bank no longer owns any Active Accounts.

"Force Majeure Event" means any of the following: acts of God, fire, earthquake, explosion, accident, terrorism, war, nuclear disaster, riot, material changes in Applicable Laws, including, but not limited to, a change in state or federal law, or other event beyond a party's reasonable control, rendering it illegal, impossible or untenable for such party to perform as contemplated in, or to offer the Program on the terms contemplated under, this Agreement.

"Inactive" has the meaning given in Section 4.3(a).

"Incentive Bonus" ***

"Indebtedness" means any and all amounts owing from time to time with respect to an Account whether or not billed, including, without limitation, any unpaid balance, finance charges (inclusive of finance charges subject to possible reversals due to unexpired credit-based promotions), late charges, and NSF fees.

"Innovation Fund" has the meaning given in Section 5.2(a).

"Insurance Program" means any program which may be offered through Bank pursuant to Section 4.3 under which Bank, any affiliate of Bank, or any third party makes available insurance coverage to Cardholders.

"Letter of Credit" means each letter of credit provided by Retailer to Bank in support of Retailer's obligations under this Agreement, as the same may be amended from time to time.

***CONFIDENTIAL PORTIONS HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE OMISSIONS.

"Letter of Credit Event" means the first day when the S&P Debt Rating has been at or below BB for 270 consecutive days; or if the S&P Debt Rating is unavailable, then the first day when the Alternate Debt Rating has been more than three (3) rating levels below its level as of the date hereof (or the most nearly equivalent rating level in the Alternate Debt Rating then employed by Bank) for 270 consecutive days.

"Letter of Credit Period" means any time period between the occurrence of a Letter of Credit Event and the first day thereafter when the S&P Debt Rating is at or above BB+; or if the S&P Debt Rating is unavailable, the Alternate Debt Rating is at or above three (3) rating levels below its level as of the date hereof (or the most nearly equivalent rating level in the Alternate Debt Rating then employed by Bank).

"Net Program Sales" means, for any given period, the aggregate amount of sales to Cardholders resulting in charges to Accounts during such period less aggregate credits to Accounts during such period, in each case as reflected in the Charge Transaction Data.

"New Retailer" means any person engaged in the operation of retail stores or the making of direct sales in the Territory, together with any other person directly or indirectly controlled by such person and any franchisees or licensees of such person using such person's name, logo, trademarks and service marks or similar proprietary designations.

"Operating Procedures" has the meaning given in Section 6.5.

"Original Agreement" has the meaning given to it in the recitals.

"POS Unit" means a point-of-sale terminal which may or may not include a related printer.

"Prime Rate" shall mean, as of any date of determination, the highest bank prime or reference loan rate as published in the Wall Street Journal in its "Money Rates" section (or if The Wall Street Journal shall cease to be published or to publish such rates, in such other publication as Bank may, from time to time, specify) on such date, or if The Wall Street Journal is not published on such date, on the last day before such date on which The Wall Street Journal is published, whether or not such rate is actually ever charged or paid by any entity.

"Program" has the meaning given to it in Section 1.1.

"Program Fee" means a fee payable in connection with each submission by Retailer to Bank of Charge Transaction Data pertaining to a purchase financed on an Account, calculated as set forth in Section 3.4.

"Program Fee Percentage" means the percentage set by Bank and used in calculating the Program Fees, including the Base Rate and the Promotional Rates. As of the Effective Date, the Program Fee Percentages are set forth on Schedule 3.5. Pursuant to the provisions of Section 3.6, Bank may reset the Program Fee Percentages by written notice to Retailer and such reset Program Fee Percentage will be used in calculating the Program Fee in respect of all Charge Transaction Data submitted in respect of any Accounts at any time thereafter (until such Program Fee Percentage is again reset in accordance with the terms hereof.).

"Program Year" means the twelve month period between anniversaries of the Effective Date with the first such period beginning on the Effective Date.

"Promotional Rate" means the percentage set by Bank used in calculating the Program Fee payable in connection with each submission by Retailer to Bank of Charge Transaction Data pertaining to a purchase that is subject to an approved credit-based promotion.

"Relationship Manager" has the meaning given to it in Section 6.18.

"Restocking Fee"means any cancellation or restocking fee charged in connection with the cancellation of an order or return of a product.

"Retailer" means, jointly and severally, Ethan Allen Global and Ethan Allen Retail, and their respective successors and permitted assigns. Unless the context otherwise suggests, (a) all references to "Retailer" shall mean each of the above-referenced parties and shall also mean all of such parties in the aggregate, (b) all duties, liabilities and obligations of Retailer hereunder shall be the joint and several obligations of each party listed above, and (c) all representations and warranties made by Retailer hereunder shall be deemed to have been made by each Retailer party individually, as well as by all such parties collectively.

"Retailer Marks" means the names and any related marks, tradestyles, trademarks, service marks, logos or similar proprietary designations as the same currently exist and as they may be amended or adopted by Retailer from time to time hereafter.

"Retailer Shopper Data" means all personally identifiable information regarding a person making a purchase of goods or services from Retailer (other than Cardholder Information provided by or through Bank) that is obtained by (or on behalf of) Retailer or any of its affiliates independently from the Program.

"Retailer Store Location" means those retail stores owned or operated by Retailer within the Territory.

"Retailer Website" means the internet website with the internet address www.ethanallen.com/, and any other internet website maintained, operated or controlled by Retailer that Bank agrees in writing may constitute the Retailer Website.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"S&P Debt Rating" means, as of any date of determination, the rating as determined by either S&P of Ethan Allen Global's senior unsecured long-term debt or, if such rating is not available, Ethan Allen Global's corporate credit rating.

"Second Source Program" means any consumer credit program that is available only to persons who submitted properly completed credit applications to, and were rejected by, Bank immediately preceding such person's application to such other credit program.

"Solvent" means, as to any person, (i) that the present fair salable value of such person's assets exceeds the total amount of its liabilities; (ii) that such person is generally able to pay its debts as they come due; and (iii) that such person does not have unreasonably small capital to carry on such person's business as theretofore operated and as thereafter contemplated. The phrase "present fair salable value of such person's assets" means that value that could be obtained if such person's assets were sold within a reasonable time in one or more arm's-length transactions in an existing and not theoretical market.

"Special Order Deposit" means a deposit (i) that is charged to an Account in connection with the purchase of a Special Order Good and (ii) that (A) in the case of custom soft goods (e.g., custom upholstered furniture) does not exceed fifty percent (50%) of the total amount financed on such Account in respect of such Special Order Good and (B) in the case of all other products does not exceed thirty-three percent (33%) of the total amount financed on such Account in respect of such Special Order Good.

"Special Order Good(s)" means those products offered for sale by Retailer or an Authorized Dealer, but that cannot be delivered at the time of purchase by Cardholder or an authorized user because such products (i) are not currently in stock and/or which are on "backorder", (ii) are not routinely kept in stock by Retailer or such Authorized Dealer, or (iii) must be specially ordered by Retailer or such Authorized Dealer from the manufacturer.

"Store Location" means any Retailer Store Location or Dealer Store Location, as the case may be.

"Term" has the meaning given to it in Section 9.1.

"Territory" means the fifty states of the United States of America and the District of Columbia.

"Unamortized Incentive Bonus" ***

"Value-Added Program" means any products or services that enhance the features of the Program or an Account.

B. Miscellaneous. As used in this Agreement, (i) all references to the plural number shall include the singular number (and vice versa); (ii) all references to the masculine gender shall include the feminine gender (and vice versa) and (iii) all references to "herein," "hereof," "hereunder," "hereinbelow," "hereinabove" or like words shall refer to this Agreement as a whole and not to any particular section, subsection or clause contained in this Agreement. References herein to any document including, without

limitation, this Agreement shall be deemed a reference to such document as it now exists, and as from time to time hereafter the same may be amended. References herein to a "person" or "persons" shall be deemed to be references to an individual, corporation, limited liability company, partnership, trust, unincorporated association, joint venture, joint-stock company, or any other form of entity. Captions of the sections of this Agreement are for convenience of reference only and are not intended as a summary of such sections and do not affect, limit, modify or construe the contents thereof.

***CONFIDENTIAL PORTIONS HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE OMISSIONS.

CONFIDENTIAL TREATMENT REQUESTED BY ETHAN ALLEN INTERIORS INC. OF CERTAIN PORTIONS OF THIS AGREEMENT IN ACCORDANCE WITH RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934.

SCHEDULE 3.5

***

***CONFIDENTIAL PORTIONS HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE OMISSIONS.

CONFIDENTIAL TREATMENT REQUESTED BY ETHAN ALLEN INTERIORS INC. OF CERTAIN PORTIONS OF THIS AGREEMENT IN ACCORDANCE WITH RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934.

SCHEDULE 6.3
To
Credit Card Program Agreement

Initial Terms Offered to Cardholders

- APR
  - Standard 23.99%
  - Default 26.99%

- Finance Charge Calculation
  - Finance Charges on Finance Charge & Fees
  - Minimum Finance Charge of $1.50 per statement

- Repayment Terms - 3%, or 3.5% in certain default circumstances, of outstanding balance or $15.00, whichever is greater

Late Payment Fee shall be as follows:

New Balance	Late Payment Fee
Under $100	$15
$100-$999.99	$29

$1000 or above	$35

- Other Fees - $30 on NSF checks

SCHEDULE 9.2(m)

***

***CONFIDENTIAL PORTIONS HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE OMISSIONS.

SCHEDULE 6.13
To
Credit Card Agreement

Retailer Marks

CONFIDENTIAL TREATMENT REQUESTED BY ETHAN ALLEN INTERIORS INC. OF CERTAIN PORTIONS OF THIS AGREEMENT IN ACCORDANCE WITH RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934.

EXHIBIT A
To
Credit Card Program Agreement

Form of Parent Guarantee

PARENT GUARANTEE

For value received and to induce GE Money Bank (herein called the "Bank") to enter into that Second Amended and Restated Consumer Credit Card Program Agreement dated as of July __, 2007, as such agreement may be amended, restated, supplemented or replaced from time to time (the "Program Agreement"), with Ethan Allen Global, Inc., a Delaware corporation ("Ethan Allen Global"), and Ethan Allen Retail, Inc., a Delaware corporation ("Ethan Allen Retail, and together with Ethan Allen Global, "Retailer"), each with its principal place of business at Ethan Allen Drive, Danbury, Connecticut 06813-1966, the undersigned ("Guarantor") hereby absolutely and unconditionally guarantees payment to the Bank when due (whether at scheduled maturity, by declaration or otherwise) of any and all indebtedness, liabilities and obligations now or hereafter owing by Retailer to Bank under or in connection with the Program Agreement, including interest, penalties, and/or damages thereon (collectively herein called the "Guaranteed Debt"). This Guaranty is a guaranty of payment and not merely of collection.

Guarantor owns a majority of the common stock of Ethan Allen Global, which owns the majority of the common stock of Ethan Allen Retail, and Guarantor will derive substantial direct and indirect benefit from its execution and delivery of this Guarantee. In addition, Guarantor is entering into this Guarantee pursuant to its obligation to do so under the Program Agreement and with the understanding that this Guarantee is a material condition to Bank's continuation of the credit program established by the Program Agreement.

Guarantor hereby waives presentment, demand and protest; notice of acceptance of this Guaranty; notice of the creation of any Guaranteed Debt, of any default and of protest, dishonor, or other action taken in reliance hereon; all demands and notices of any kind in connection with this guaranty of the Guaranteed Debt; and all diligence in collection or protection of or realization upon any of the Guaranteed Debt.

Guarantor hereby consents to all terms and conditions of the Program Agreement and further consents that Bank may without further consent or disclosure and without affecting or releasing the obligations of Guarantor hereunder: (a) alter, accelerate, extend, renew, or change the time, place, manner or terms of payment of, or grant indulgences with respect to, any of the Guaranteed Debt; (b) increase or decrease the rate of interest on any of the Guaranteed Debt; (c) obtain the primary or secondary liability of any party or parties, in addition to Guarantor, with respect to any of the Guaranteed Debt; (d) release or compromise any liability of Guarantor hereunder or any other party or parties primarily or secondarily liable on any of the Guaranteed Debt; (e) release, foreclose on or otherwise enforce Bank's liens on any collateral securing any of the obligation of Retailer to Bank, whether or not covered hereby; (f) apply to the Guaranteed Debt in such manner as Bank shall determine any sums received by it from Retailer or from any other source to be applied to Retailer's obligations; or (g) resort to Guarantor for payment of any or all of the Guaranteed Debt, whether or not Bank shall have resorted to any property securing

CONFIDENTIAL TREATMENT REQUESTED BY ETHAN ALLEN INTERIORS INC. OF CERTAIN PORTIONS OF THIS AGREEMENT IN ACCORDANCE WITH RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934.

any of the Guaranteed Debt or shall have proceeded against Retailer, any other guarantor or any other party primarily or secondarily liable on any of the Guaranteed Debt; provided, that in the event that Retailer and Bank amend the Program Agreement as of the date hereof without the consent of Guarantor, Guarantor may limit its obligations hereunder by delivery of written notice to such effect to Bank. Such notice will limit Guarantor's obligations hereunder to (a) Guaranteed Obligations incurred by Retailer, or arising out of acts or omissions of Retailer occurring, on or prior to a date five (5) business days after such notice is received by Bank, (b) any extensions, renewals, or modifications of such Guaranteed Obligations, and (c) any additional fees and expenses incurred by Bank (including, without limitation, attorneys' fees and costs) in seeking to enforce or collect such Guaranteed Obligations.

Notwithstanding anything to the contrary contained in this Guaranty, Bank's right to resort to Guarantor for performance of any or all of the Guaranteed Debt shall only arise at such point as Retailer shall have failed to satisfy any Guaranteed Debt in accordance with the Program Agreement and any applicable cure period provided for therein shall have expired without Retailer's timely cure of any such failure.

This Guaranty shall be a continuing guaranty and shall be binding upon Guarantor regardless of how long before or after the date hereof any Guaranteed Debt was or is incurred.

Guarantor agrees that this Guaranty shall continue to be effective, or shall be reinstated as the case may be, if at any time any payment to Bank of any of the Guaranteed Debt is rescinded or must be restored or returned by Bank upon the insolvency, bankruptcy or reorganization of Retailer, all as though such payment had not been made. Guarantor hereby agrees to defer the exercise of any claims it has or may acquire against Retailer in respect of the Guaranteed Debt, including rights of exoneration, reimbursement and subrogation, until the Guaranteed Debt has been paid in full.

This Guaranty is assignable by Bank and shall inure to the benefit of Bank, its successors and assigns. This Guaranty may not be assigned by Guarantor without the express written consent of Bank, which consent will be given or withheld in Bank's sole discretion.

Guarantor understands, agrees, and hereby authorizes Bank to periodically request, receive, and to exchange references and data that Bank, in its sole discretion, deems pertinent to Guarantor's creditworthiness and/or financial condition, including requesting reports from credit reporting agencies.

This Guaranty may not be amended except by written instrument signed by Bank and Guarantor. No delay by Bank in exercising any of its rights or partial or single exercise of its rights shall operate as a waiver of that or any other right. The exercise of one or more of Bank's rights shall not be a waiver of, nor preclude the exercise of, any rights or remedies available under this Guaranty, in law, or in equity.

All notices, demands and other communications hereunder shall be in writing and shall be sent by facsimile or nationally recognized overnight courier service

addressed to the party to whom such notice or other communication is to be given or made at such party's address as set forth below, or to such other address as such party may designate in writing to the other party

from time to time in accordance with the provisions hereof and shall be deemed effective upon actual receipt.

This Guaranty and all rights and obligations hereunder shall be governed by and construed in accordance with the substantive laws of the State of New York. If any provision of this Guaranty is held to be invalid, void or unenforceable, all other provisions shall remain valid and be enforced and construed as if such invalid provision were never a part of this Guaranty. Guarantor agrees to pay all expenses (including reasonable attorneys' fees and legal expenses) incurred by Bank to collect the Guaranteed Debt and in enforcing this Guaranty.

ETHAN ALLEN INTERIORS, INC.

Date:

By:
Title:

Addresses for Notices:

To Bank:

GE Money Bank
4246 South Riverboat Road,
Suite 200
Salt Lake City, Utah 84123-2551
Attn: President

with a copy to:

GE Money Sales Finance
950 Forrer Boulevard
Kettering, Ohio 45420
Attn: Counsel

To Guarantor:

Ethan Allen Interiors, Inc.
Ethan Allen Drive
Danbury, CT 06811
Attn: Chairman, President and CEO

with a copy to:

Ethan Allen Interiors Inc.
Ethan Allen Drive
Danbury, CT 06811
Attn: General Counsel

EXHIBIT B
To
Credit Card Program Agreement

Officer's Certificate Regarding Financial Statements

To: GE Money Bank

Ladies and Gentlemen:

Reference is made to that certain Second Amended and Restated Private Label Consumer Credit Card Program Agreement dated as of _____, 2007 between GE Money Bank (together with its successors, assigns and transferees, the "Bank") and Ethan Allen Global, Inc., a Delaware corporation ("Ethan Allen Global"), and Ethan Allen Retail, Inc., a Delaware corporation ("Ethan Allen Retail", and together with Ethan Allen Global, "Retailer") (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined).

The undersigned chief financial officer of Retailer's parent, Ethan Allen Interiors Inc., hereby certifies as of the date hereof that the attached (unaudited) financial statements of Ethan Allen Interiors Inc. were prepared in accordance with generally accepted accounting principles applied on a consistent basis and present fairly the consolidated financial position and the results of operations of Ethan Allen Interiors Inc. for the period ended _____, 20___.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of , .

ETHAN ALLEN INTERIORS INC.

By:

Name:

Title:

EXHIBIT C
To
Credit Card Program Agreement

Officer's Certificate Regarding Ownership of Retailer

To: GE Money Bank

Ladies and Gentlemen:

Reference is made to that certain Second Amended and Restated Private Label Consumer Credit Card Program Agreement dated as of _____, 2007 between GE Money Bank (together with its successors, assigns and transferees, the "Bank") and Ethan Allen Global, Inc., a Delaware corporation ("Ethan Allen Global"), and Ethan Allen Retail, Inc., a Delaware corporation ("Ethan Allen Retail", and together with Ethan Allen Global, "Retailer") (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined).

The undersigned chief financial officer of Retailer's parent, Ethan Allen Interiors Inc., hereby certifies as of the date hereof that the representations and warranties of Ethan Allen Interiors Inc. below the signature page of the Agreement are true and correct.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of , .

ETHAN ALLEN INTERIORS INC.

By:

Name:

Title:

EXHIBIT D
To
Credit Card Program Agreement

Initial UCC Financing Statement

(Attached)

UCC FINANCING STATEMENT AMENDMENT
FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]	
B. SEND ACKNOWLEDGEMENT TO: (Name and Address)	**THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY**

1a. INITIAL FINANCING STATEMENT FILE #	1b. This FINANCING STATEMENT AMENDMENT [ ] is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS.

2. [ ] TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to security interest(s) of the Secured Party authorizing this Termination Statement.

3. [ ] CONTINUATION: Effectiveness of the Financing Statement identified above with respect to security interest(s) of the Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law.

4.[ ] ASSIGNMENT (full or partial): Give name of assignee in item 7a or 7b and address of assignee in item 7c; and also give name of assignor in item 9.

5. AMENDMENT (PARTY INFORMATION): This Amendment affects [ ] Debtor or [ ] Secured Party of record. Check only one of these two boxes.

Also check one of the following three boxes and provide appropriate information in items 6 and/or 7.

[ ] CHANGE name and/or address: Please refer to the detailed instructions in regards to changing the name/address of a party. [ ] DELETE name: Give record name to be deleted in item 6a or 6b. [ ] ADD name: Complete item 7a or 7b, and also item 7c; also complete items 7d-7g (if applicable)

6. CURRENT RECORD INFORMATION:

	6a. ORGANIZATION'S NAME			
OR	6b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

7. CHANGED (NEW) OR ADDED INFORMATION:

	7a. ORGANIZATION'S NAME				
OR	7b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME		SUFFIX
7c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

7d. **SEE INSTRUCTIONS**	ADD'L INFO RE ORGANIZATION DEBTOR	7e. TYPE OF ORGANIZATION	7f. JURISDICTION OF ORGANIZATION	7g. ORGANIZATIONAL ID #, if any [ ]NONE

8. AMENDMENT (COLLATERAL CHANGE): check only one box.

Describe collateral [ ] deleted or [ ] added, or give entire [ ] restated collateral description, or describe collateral [ ] assigned.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT (name of assignor, if this is an Assignment). If this is an Amendment authorized by a Debtor which adds collateral or adds the authorizing Debtor, or if this is a Termination authorized by a Debtor, check here [ ] and enter name of **DEBTOR** authorizing this Amendment.

	9a. ORGANIZATION'S NAME			
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

10. OPTIONAL FILER REFERENCE DATA

11. OPTIONAL FILER REFERENCE DATA

FILING OFFICE COPY —UCC FINANCING STATEMENT AMENDMENT (FORM UCC3) (REV. 05/22/02)

CONFIDENTIAL TREATMENT REQUESTED BY ETHAN ALLEN INTERIORS INC. OF CERTAIN PORTIONS OF THIS AGREEMENT IN ACCORDANCE WITH RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934.

EXHIBIT A
TO
UCC FINANCING STATEMENT

DEBTOR: **Ethan Allen Global, Inc. and Ethan Allen Retail, Inc. (collectively, the "Retailer")**

SECURED PARTY: **GE Money Bank ("Bank")**

Nature of Transactions. Bank has or will establish a private label consumer credit card program with Retailer under which Bank will issue credit cards to qualified customers of Retailer. Purchases under the Program shall constitute extensions of credit directly from Bank to customers of Retailer. Retailer will not at any time have any rights in any of the credit card accounts established under the Program or in any obligations owing at any time thereunder unless Retailer subsequently purchases such accounts or obligations from Bank. The "Property Description" below identifies the property that arises under or in connection with the Program.With the possible exception of Unpaid Returned Goods, all of the property identified in the Property Description (the "Bank Property") is owned by Bank, and Retailer shall not have any rights in the Bank Property other than any Accounts and/or Indebtedness purchased by Retailer from Bank.

Reasons for Filing. With the possible exception of Bank's security interest in Unpaid Returned Goods, the Uniform Commercial Code does not apply to the Program or the creation of Accounts thereunder. The filing of this financing statement is intended to give public notice of the true nature of the Program and of Bank's ownership interest in the Bank Property. This financing statement is also filed as a precaution to ensure that the interests of Bank in the Bank Property are deemed perfected in the unlikely event it is ever determined that, contrary to the intent of the parties, such a filing is required to perfect such interests.

Property Description

All of Retailer's right, title and interest now existing or hereafter arising in, to or under the following property (in each case, existing at any time, past, present or future):

(i) all Accounts, Account Documentation and Indebtedness;

(ii) all deposits, credit balances and reserves on Bank's books relating to any such Accounts (including the Innovation Fund and Collateral Account);

(iii) all Unpaid Returned Goods; and

(iv) all proceeds of any of the foregoing.

Definitions

Capitalized terms in this Exhibit A are defined as set forth below (such definitions being equally applicable to both the singular and plural forms of such terms):

"Account" means the legal relationship established by and between a Cardholder and Bank pursuant to a Cardholder Agreement, together with all Indebtedness owing thereunder from time to time and any current or future guaranties, security or other credit support therefor. For the avoidance of doubt, "Account" shall include all Accounts established under the Original Agreement.

"Account Documentation" means any and all Account information credit applications, Cardholder Agreements, Charge Transaction Data, charge slips, credit slips, payments, credit information and documents or forms of any type and in any media relating to the Program, excluding materials used for advertising or solicitations.

"Agreement" means that certain Second Amended and Restated Private Label Consumer Credit Card Program Agreement, dated July 23, 2007 by and between Retailer and Bank, including all schedules and appendices, as it may be amended from time to time.

"Authorized Dealer" means a Dealer: (i) that is an authorized dealer of Ethan Allen Global, (ii) that has been accepted by Bank to participate in the Program, and (iii) that has executed a Bank Dealer Agreement, except that a Dealer shall cease to be an Authorized Dealer if its Bank Dealer Agreement expires or is terminated or such Dealer's authority to participate in the Program is otherwise terminated in accordance with the terms of this Agreement.

"Bank Dealer Agreement" means an agreement entered into by and between a Dealer and Bank, as the same may be modified initially and from time to time by agreement between such Dealer and Bank, which sets forth the terms and conditions upon which an Authorized Dealer may participate in the Program.

"Cardholder" means any natural person who has entered into a Cardholder Agreement with Bank or who is or may become obligated under or with respect to an Account.

"Cardholder Agreement" means the open-end revolving credit agreement, in either tangible or electronic form, between Bank and each Cardholder pursuant to which such Cardholder and its authorized user(s), if any, may make purchases from Retailer and/or Authorized Dealers on credit provided by Bank under the Program.

"Charge Transaction Data" means Account and related Cardholder and/or authorized user identification and transaction information transmitted by Retailer to Bank with regard to a charge or a credit to an Account.

"Collateral Account" means a non-interest bearing account on Bank's books.

"Dealer" means an independent dealer of Ethan Allen Global which sells products or services manufactured, distributed or delivered by Retailer.

"Effective Date" means July 23, 2007.

"Ethan Allen Global" means Ethan Allen Global, Inc., a Delaware corporation.

"Ethan Allen Retail" means Ethan Allen Retail, Inc., a Delaware corporation.

"Indebtedness" means any and all amounts owing from time to time with respect to an Account whether or not billed, including, without limitation, any unpaid balance, finance charges (inclusive of finance charges subject to possible reversals due to unexpired credit-based promotions), late charges, and NSF fees.

"Innovation Council" means the relationship managers for each party and such equal number of other employees of each party as the parties shall mutually determine from time to time.

"Innovation Fund" means an innovation fund established by Bank (by creation of a record maintained by Bank) and administered to fund the costs and expenses of implementing the agreed innovation projects developed by the Innovation Council.

"Original Agreement" means that certain Amended and Restated Consumer Credit Card Program Agreement between Bank, as successor to Monogram Credit Card Bank of Georgia, and Retailer, as successor to Ethan Allen Inc., dated as of February 22, 2000 as amended from time to time.

"Program" means the credit card program established by Bank pursuant to the Original Agreement as continued pursuant to the Agreement, and made available during the Term to qualified consumer customers of Ethan Allen Retail and qualified consumer customers of Authorized Dealers of Ethan Allen Global to permit such customers to finance purchases of goods and services within the Territory from Ethan Allen Retail in accordance with the terms of this Agreement and from Authorized Dealers in accordance with a Bank Dealer Agreement entered into between Authorized Dealer and Bank.

"Term" means an automatic renewal period of one (1) year of the Agreement after the fifth (5th) anniversary of the Effective Date, each such period, a Term.

"Territory" means the fifty states of the United States of America and the District of Columbia.

"Unpaid Returned Goods" means all goods financed on Accounts and returned to Retailer by Cardholders for which Retailer has not repaid Bank.

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 Quarterly Report on Form 10-Q 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; and

(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

November 5, 2007

Exhibit 31.2

RULE 13a-14(a) CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jeffrey Hoyt, do hereby certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q 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; and

(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 — Vice President, Finance
(Jeffrey Hoyt) — and Treasurer

November 5, 2007

Exhibit 32.1

SECTION 1350 CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, M. Farooq Kathwari, hereby certify that the September 30, 2007 Quarterly Report on Form 10-Q 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 Quarterly 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

November 5, 2007

Exhibit 32.2

SECTION 1350 CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jeffrey Hoyt, hereby certify that the September 30, 2007 Quarterly Report on Form 10-Q 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 Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey Hoyt
(Jeffrey Hoyt)

Vice President, Finance
and Treasurer

November 5, 2007