

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2014

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

(State or other jurisdiction of incorporation or organization)

06-1275288

(I.R.S. Employer Identification No.)

Ethan Allen Drive, Danbury, Connecticut

(Address of principal executive offices)

06811

(Zip Code)

(203) 743-8000

(Registrant's telephone number, including area code)

N/A

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

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

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

At January 22, 2015, there were 28,933,451 shares of Class A Common Stock, par value \$.01, outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(In thousands)

	December 31, 2014	June 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 112,942	\$ 109,176
Marketable securities	8,865	18,153
Accounts receivable, less allowance for doubtful accounts of \$1,430 at December 31, 2014 and \$1,442 at June 30, 2014	10,626	12,426
Inventories	151,749	146,275
Prepaid expenses and other current assets	23,023	19,599
Total current assets	307,205	305,629
Property, plant and equipment, net	284,789	288,156
Goodwill and other intangible assets	45,128	45,128
Restricted cash and investments	8,008	8,507
Other assets	6,937	7,014
Total assets	\$ 652,067	\$ 654,434
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 56,282	\$ 501
Customer deposits	52,779	59,684
Accounts payable	19,501	24,320
Accrued compensation and benefits	23,159	27,709
Accrued expenses and other current liabilities	23,215	23,833
Total current liabilities	174,936	136,047
Long-term debt	75,751	130,411
Other long-term liabilities	20,393	20,509
Total liabilities	271,080	286,967
Shareholders' equity:		
Class A common stock	486	486
Additional paid-in-capital	366,358	365,733
Less: Treasury stock (at cost)	(584,041)	(584,041)
Retained earnings	599,338	584,395
Accumulated other comprehensive income	(1,438)	642
Total Ethan Allen Interiors Inc. shareholders' equity	380,703	367,215
Noncontrolling interests	284	252
Total shareholders' equity	380,987	367,467
Total liabilities and shareholders' equity	\$ 652,067	\$ 654,434

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Unaudited)
(In thousands, except per share data)

	Three months ended December 31,		Six months ended December 31,	
	2014	2013	2014	2013
Net sales	\$ 197,067	\$ 193,104	\$ 387,773	\$ 374,763
Cost of sales	90,993	87,105	176,896	170,021
Gross profit	106,074	105,999	210,877	204,742
Selling, general and administrative expenses	88,414	86,149	172,747	168,948
Operating income	17,660	19,850	38,130	35,794
Interest and other income	89	43	232	125
Interest and other related financing costs	1,882	1,871	3,771	3,744
Income before income taxes	15,867	18,022	34,591	32,175
Income tax expense	5,829	6,467	12,674	11,586
Net income	\$ 10,038	\$ 11,555	\$ 21,917	\$ 20,589
Per share data:				
Basic earnings per common share:				
Net income per basic share	\$ 0.35	\$ 0.40	\$ 0.76	\$ 0.71
Basic weighted average common shares	28,930	28,916	28,929	28,913
Diluted earnings per common share:				
Net income per diluted share	\$ 0.34	\$ 0.39	\$ 0.75	\$ 0.70
Diluted weighted average common shares	29,295	29,292	29,272	29,290
Comprehensive income:				
Net income	\$ 10,038	\$ 11,555	\$ 21,917	\$ 20,589
Other comprehensive income				
Currency translation adjustment	(1,231)	(71)	(2,086)	(16)
Other	22	42	38	60
Other comprehensive income net of tax	(1,209)	(29)	(2,048)	44
Comprehensive income	\$ 8,829	\$ 11,526	\$ 19,869	\$ 20,633

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Six months ended December 31,	
	2014	2013
Operating activities:		
Net income	\$ 21,917	\$ 20,589
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,394	8,699
Compensation expense related to share-based payment awards	629	693
Provision (benefit) for deferred income taxes	914	(463)
Loss on disposal of property, plant and equipment	2,843	557
Other	(47)	354
Change in operating assets and liabilities, net of effects of acquired businesses:		
Accounts receivable	1,362	1,523
Inventories	(4,869)	(2,708)
Prepaid and other current assets	(2,611)	602
Customer deposits	(7,674)	(6,920)
Accounts payable	(4,819)	(1,084)
Accrued expenses and other current liabilities	(5,876)	(1,260)
Other assets and liabilities	(703)	2,024
Net cash provided by operating activities	<u>10,460</u>	<u>22,606</u>
Investing activities:		
Proceeds from the disposal of property, plant & equipment	6,849	771
Change in restricted cash and investments	499	498
Capital expenditures	(13,115)	(8,558)
Acquisitions	(1,991)	-
Purchases of marketable securities	-	(15,716)
Sales of marketable securities	8,930	10,723
Other investing activities	90	175
Net cash provided by (used in) investing activities	<u>1,262</u>	<u>(12,107)</u>
Financing activities:		
Payments on long-term debt and capital lease obligations	(288)	(238)
Payment of cash dividends	(6,381)	(5,502)
Payment of deferred financing costs	(1,020)	-
Other financing activities	122	221
Net cash provided by (used in) financing activities	<u>(7,567)</u>	<u>(5,519)</u>
Effect of exchange rate changes on cash	(389)	22
Net increase in cash & cash equivalents	3,766	5,002
Cash & cash equivalents at beginning of period	109,176	72,601
Cash & cash equivalents at end of period	<u>\$ 112,942</u>	<u>\$ 77,603</u>

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity
Six Months Ended December 31, 2014
(Unaudited)
(In thousands)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Non- Controlling Interests	Total
Balance at June 30, 2014	\$ 486	\$ 365,733	\$ (584,041)	\$ 642	\$ 584,395	\$ 252	\$ 367,467
Stock issued on share-based awards	-	111	-	-	-	-	111
Compensation expense associated with share-based awards	-	629	-	-	-	-	629
Tax benefit associated with exercise of share based awards	-	(115)	-	-	-	-	(115)
Dividends declared on common stock	-	-	-	-	(6,974)	-	(6,974)
Comprehensive income	-	-	-	(2,080)	21,917	32	19,869
Balance at December 31, 2014	<u>\$ 486</u>	<u>\$ 366,358</u>	<u>\$ (584,041)</u>	<u>\$ (1,438)</u>	<u>\$ 599,338</u>	<u>\$ 284</u>	<u>\$ 380,987</u>

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 Global's 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 Global's capital stock is owned by Interiors, which has no assets or operating results other than those associated with its investment in Global.

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making those estimates, actual results could differ from those estimates. Areas in which significant estimates have been made include, but are not limited to, revenue recognition, the allowance for doubtful accounts receivable, inventory obsolescence, tax valuation allowances, useful lives for property, plant and equipment and definite-lived intangible assets, goodwill and indefinite-lived intangible asset impairment analyses, the evaluation of uncertain tax positions and the fair value of assets acquired and liabilities assumed in business combinations.

Our consolidated financial statements include the accounts of an entity in which we are a majority shareholder and have the power to direct the activities that most significantly impact the entity's performance. Noncontrolling interest amounts in the entity are immaterial and included in the Consolidated Statement of Comprehensive Income within interest and other income, net.

(2) Interim Financial Presentation

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 and six months ended December 31, 2014 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, 2014.

(3) Income Taxes

The Company reviews its expected annual effective income tax rates and makes changes on a quarterly basis as necessary based on certain factors such as changes in forecasted annual operating income; changes to actual or forecasted permanent book to tax differences; impacts from future tax audits with state, federal or foreign tax authorities; impacts from tax law changes; or change in judgment as to the realizability of deferred tax assets. The Company identifies items which are not normal and are non-recurring in nature and treats these as discrete events. The tax effect of discrete items is recorded in the quarter in which the discrete events occur. Due to the volatility of these factors, the Company's consolidated effective income tax rate can change significantly on a quarterly basis.

The Company conducts business globally and, as a result, the Company or one or more of its subsidiaries files income tax returns in the U.S., various state, and foreign jurisdictions. In the normal course of business, the Company is subject to examination in such domestic and foreign jurisdictions. As of December 31, 2014, the Company and certain subsidiaries are currently under audit in the U.S. from 2008 through 2013. While the amount of uncertain tax benefits with respect to the entities and years under audit may change within the next twelve months, it is not anticipated that any of the changes will be significant. It is reasonably possible that some of these audits may be completed during the next twelve months. It is reasonable to expect that various issues relating to uncertain tax benefits will be resolved within the next twelve months as exams are completed or as statutes expire and will impact the effective tax rate.

The Company's consolidated effective tax rate was 36.7% and 36.6% for the three and six months ended December 31, 2014, and 35.9% and 36.0% for the three and six months ended December 31, 2013, respectively. The current year effective tax rate primarily includes tax expense on the current year net income, and tax and interest expense on uncertain tax positions. The prior year effective tax rate primarily includes the tax expense on that year's net income, interest expense on uncertain tax positions, and the impact of maintaining valuation allowances on certain retail segment deferred tax assets, partly offset by the reversal and recognition of some uncertain tax positions.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

(4) Restricted Cash and Investments

At December 31, 2014 and June 30, 2014, we held \$8.0 million and \$8.5 million respectively, of restricted cash and investments in lieu of providing letters of credit for the benefit of the provider of our workmen's compensation insurance and other insurance. These funds can be invested in high quality money market mutual funds, U.S. Treasuries and U.S. Government agency fixed income instruments, and cannot be withdrawn without the prior written consent of the secured party. These assets are carried at cost, which approximates market value and are classified as long-term assets because they are not expected to be used within one year to fund operations. See also Note 12, "Fair Value Measurements".

(5) Marketable Securities

At December 31, 2014 and June 30, 2014, the Company held marketable securities of \$8.9 million and \$18.2 million respectively, classified as current assets, consisting of U.S. municipal and corporate bonds with maturities ranging from less than one year to less than two years, which were rated A+/A2 or better by the rating services Standard & Poors ("S&P") and Moodys Investors Service ("Moodys") respectively. There were no material realized or unrealized gains or losses for the three or six months ended December 31, 2014 and December 31, 2013. We do not believe there are any impairments considered to be other than temporary at December 31, 2014. See also Note 12, "Fair Value Measurements".

(6) Inventories

Inventories at December 31, 2014 and June 30, 2014 are summarized as follows (in thousands):

	December 31, 2014	June 30, 2014
Finished goods	\$ 117,933	\$ 116,377
Work in process	10,791	8,355
Raw materials	25,829	24,347
Valuation allowance	(2,804)	(2,804)
	<u>\$ 151,749</u>	<u>\$ 146,275</u>

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

(7) Borrowings

Total debt obligations at December 31, 2014 and June 30, 2014 consist of the following (in thousands):

	December 31, 2014	June 30, 2014
Short-term debt obligations:		
Current maturities of long-term debt	\$ 808	\$ 501
5.375% Senior Notes due 2015	129,307	-
Amounts reclassified to long-term debt	(73,833)	-
Total current	\$ 56,282	\$ 501
Short-term borrowings, reclassified		
5.375% Senior Notes due 2015	-	129,255
Capital leases	2,726	1,657
	76,559	130,912
Less current maturities	(808)	(501)
Total long-term	\$ 75,751	\$ 130,411

In September 2005, we issued \$200.0 million in ten-year senior unsecured notes due October 1, 2015 (the "Senior Notes"). The Senior Notes were issued by Global, bearing an annual coupon rate of 5.375% with interest payable semi-annually in arrears on April 1 and October 1. We have used the net proceeds of \$198.4 million to improve our retail network, invest in our manufacturing and logistics operations, and for other general corporate purposes. In fiscal years 2011 through 2013, the Company repurchased an aggregate \$70.6 million of the Senior Notes in several unsolicited transactions. At December 31, 2014 we have reclassified \$73.8 million of short-term debt to long-term based on our intent and ability to refinance a portion of the Senior Notes on a long-term basis.

On October 21, 2014, the Company entered into a five year, \$150 million senior secured revolving credit and term loan facility (the "Facility"). The new agreement amended and restated the previous five-year, \$50 million secured revolving credit facility in its entirety. The Facility, which expires on October 21, 2019, provides a term loan of up to \$50 million and a revolving credit line of up to \$100 million, subject to borrowing base availability.

At the Company's option, revolving loans under the Facility bear interest, based on the average availability, at an annual rate of either (a) the London Interbank Offered rate ("LIBOR") plus 1.5% to 1.75%, or (b) the higher of (i) the prime rate, (ii) the federal funds effective rate plus 0.50%, or (iii) LIBOR plus 1.0% plus in each case 0.5% to 0.75%.

At the Company's option, term loans under the Facility bear interest, based on the Company's rent adjusted leverage ratio, at an annual rate of either (a) the London Interbank Offered rate ("LIBOR") plus 1.75% to 2.25%, or (b) the higher of (i) the prime rate, (ii) the federal funds effective rate plus 0.50%, or (iii) LIBOR plus 1.0% plus in each case 0.75% to 1.25%.

The Company pays a commitment fee of 0.15% to 0.25% per annum on the unused portion of the Facility, and fees on issued letters of credit at an annual rate of 1.5% to 1.75% based on the average availability. Certain payments are restricted if the availability under the revolving credit line falls below 20% of the total revolving credit line, and the Company is subject to pro forma compliance with the fixed charge coverage ratio if applicable.

The term loan is available in a single drawing of up to \$50 million on a delayed-draw basis through April 21, 2015. In order to draw on the term loan, the Company's Senior Notes must be paid in full substantially concurrently with the making of the term loan. Quarterly installments of principal are payable on the amount borrowed under the term loan based on a straight line 15 year amortization period, with the balance due at maturity.

The Facility is secured by all property owned, leased or operated by the Company in the United States and includes certain real property owned by the Company and contains customary covenants which may limit the Company's ability to incur debt; engage in mergers and consolidations; make restricted payments (including dividends); sell certain assets; and make investments.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

The Company must maintain at all times a minimum fixed charge coverage ratio of 1.0 to 1.0 for the first year and 1.1 to 1.0 all times thereafter. If the outstanding term loans are less than \$25 million and the fixed charge coverage ratio equals or exceeds 1.25 to 1.0, the fixed charge coverage ratio ceases to apply and thereafter shall only be triggered if average monthly availability is less than 15% of the amount of the revolving credit line. Our fixed charge coverage ratio was 1.3 to 1.0 at December 31, 2014.

The Company intends to use the proceeds of the Facility for working capital and general corporate purposes and to refinance our Senior Notes, which are due October 1, 2015. At December 31, 2014, there was \$0.3 million of standby letters of credit outstanding under the Facility and total availability under the Facility of \$149.7 million.

The Facility replaced a \$50 million senior secured, asset-based revolving credit facility (the "Prior Facility") which was in effect on June 30, 2014, and which would have expired March 25, 2016, or June 26, 2015 if the Senior Notes had not been refinanced prior to that date. At June 30, 2014, there was \$0.6 million of standby letters of credit outstanding under the Prior Facility. The Prior Facility was secured by all property owned, leased or operated by the Company in the United States excluding any real property owned by the Company and contained customary covenants limiting the Company's ability to incur debt, engage in mergers and consolidations, make restricted payments (including dividends), sell certain assets, and make investments. Remaining availability under the Prior Facility totaled \$49.4 million at June 30, 2014 and as a result, covenants and other restricted payment limitations did not apply.

At both December 31, 2014 and June 30, 2014, we were in compliance with all covenants of the Senior Notes and the credit facilities.

(8) Litigation

We are routinely involved in various investigations or as a defendant in litigation, in the ordinary course of business. We are also subject to various 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. 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.

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. We believe that our facilities are in material compliance with all such applicable laws and regulations. Our currently anticipated capital expenditures for environmental control facility matters are not material.

Although the outcome of the various claims and proceedings against us cannot be predicted with certainty, management believes that the likelihood is remote that any existing claims or proceedings will have a material adverse effect on our financial position, results of operations or cash flows.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

(9) Share-Based Compensation

During the six months ended December 31, 2014, the Company awarded options to purchase 26,316 shares of our common stock. Awarded options had an exercise price per share of \$22.80, a grant date fair value of \$10.44 and vest over three years. During the six months ended December 31, 2014, options covering 211,475 shares of common stock were cancelled, primarily due to the expiration of their 10 year terms. At December 31, 2014, there are 1,546,037 shares of common stock available for future issuance pursuant to the 1992 Stock Option Plan.

(10) Earnings Per Share

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

	Three months ended December 31,		Six months ended December 31,	
	2014	2013	2014	2013
Weighted average common shares outstanding for basic calculation	28,930	28,916	28,929	28,913
Effect of dilutive stock options and other share-based awards	365	376	343	377
Weighted average common shares outstanding adjusted for dilution calculation	<u>29,295</u>	<u>29,292</u>	<u>29,272</u>	<u>29,290</u>

As of December 31, 2014 and 2013, stock options to purchase 396,792 and 485,942 common shares, respectively, were excluded from the respective diluted earnings per share calculations because their impact was anti-dilutive.

(11) Accumulated Other Comprehensive Income

The following table sets forth the activity in accumulated other comprehensive income for the year to date period ended December 31, 2014 (in thousands):

	Foreign currency translation adjustments	Derivative instruments	Unrealized gains and losses on investments	Total
Balance June 30, 2014	\$ 670	\$ (39)	\$ 11	\$ 642
Changes before reclassifications	\$ (2,086)	\$ -	\$ (10)	\$ (2,096)
Amounts reclassified from accumulated other comprehensive income	\$ -	\$ 16	\$ -	\$ 16
Current period other comprehensive income	\$ (2,086)	\$ 16	\$ (10)	\$ (2,080)
Balance December 31, 2014	<u>\$ (1,416)</u>	<u>\$ (23)</u>	<u>\$ 1</u>	<u>\$ (1,438)</u>

Foreign currency translation adjustments are the result of changes in foreign currency exchange rates related to our operations in Canada, Belgium, Honduras, and Mexico, and exclude income taxes given that the earnings of non-U.S. subsidiaries are deemed to be reinvested for an indefinite time. The derivative instruments are reclassified to interest expense in our consolidated statements of operations.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

(12) Fair Value Measurements

We determine fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value is calculated based on assumptions that market participants use in pricing the asset or liability, and not on assumptions specific to the Company. In addition, the fair value of liabilities includes consideration of non-performance risk including our own credit risk. Each fair value measurement is reported in one of three levels, determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 Inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following section describes the valuation methodologies we use to measure different financial assets and liabilities at fair value.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents our assets and liabilities measured at fair value on a recurring basis at December 31, 2014 and June 30, 2014 (in thousands):

	December 31, 2014			Balance
	Level 1	Level 2	Level 3	
Cash equivalents	\$ 120,950	\$ -	\$ -	\$ 120,950
Available-for-sale securities	-	8,865	-	8,865
Total	\$ 120,950	\$ 8,865	\$ -	\$ 129,815

	June 30, 2014			Balance
	Level 1	Level 2	Level 3	
Cash equivalents	\$ 117,683	\$ -	\$ -	\$ 117,683
Available-for-sale securities	-	18,153	-	18,153
Total	\$ 117,683	\$ 18,153	\$ -	\$ 135,836

Cash equivalents consist of money market accounts and mutual funds in U.S. government and agency fixed income securities. We use quoted prices in active markets for identical assets or liabilities to determine fair value. There were no transfers between level 1 and level 2 during the first six months of fiscal 2015 or fiscal 2014. At December 31, 2014 and June 30, 2014, \$8.0 million and \$8.5 million respectively, of the cash equivalents were restricted, and classified as long-term assets.

At December 31, 2014, available-for-sale securities consist of \$8.9 million in U.S. municipal bonds, and at June 30, 2014, available-for-sale securities consisted of \$18.2 million in U.S. municipal bonds, all with maturities of less than two years. The bonds are rated A+/A2 or better by S&P and Moodys respectively. As of December 31, 2014 and June 30, 2014, there were no material gross unrealized gains or losses on available-for-sale securities.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

As of December 31, 2014 and June 30, 2014, the contractual maturities of our available-for-sale securities were as follows:

December 31, 2014		
	Cost	Estimated Fair Value
Due in one year or less	\$ 9,087	\$ 8,865
Due after one year through five years	\$ -	\$ -

June 30, 2014		
	Cost	Estimated Fair Value
Due in one year or less	\$ 16,049	\$ 15,863
Due after one year through five years	\$ 2,296	\$ 2,290

No investments have been in a continuous loss position for more than one year, and no other-than-temporary impairments were recognized. See also Note 4, "Restricted Cash and Investments" and Note 5, "Marketable Securities".

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

We measure certain assets at fair value on a non-recurring basis. These assets are recognized at fair value when they are deemed to be impaired. During the six months ended December 31, 2014 and 2013, we did not record any impairments on those assets required to be measured at fair value on a non-recurring basis.

(13) Segment Information

Our operations are classified into two operating segments: wholesale and retail. These operating segments represent strategic business areas of our vertically integrated business which, although they operate separately and provide their own distinctive services, enable us to more efficiently control the quality and cost of our complete line of home furnishings and accents.

The wholesale segment is principally involved in the development of the Ethan Allen brand, which encompasses the design, manufacture, domestic and offshore sourcing, sale and distribution of a full range of home furnishings and accents to a network of independently operated and Ethan Allen operated 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 operated by Ethan Allen.

The retail segment sells home furnishings and accents to consumers through a network of Company operated design centers. Retail revenue is generated upon the retail sale and delivery of our product to our customers.

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

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

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 accents and other). The allocation of retail sales by product line is reasonably similar to that of the wholesale segment. A breakdown of wholesale sales by these product lines for the three and six months ended December 31, 2014 and 2013 is provided as follows:

	Three months ended December 31,		Six months ended December 31,	
	2014	2013	2014	2013
Case Goods	32%	33%	34%	34%
Upholstered Products	49%	51%	47%	49%
Home Accents and Other	19%	16%	19%	17%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Segment information for the three and six months ended December 31, 2014 and 2013 is provided below (in thousands):

	Three months ended December 31,		Six months ended December 31,	
	2014	2013	2014	2013
Net sales:				
Wholesale segment	\$ 116,210	\$ 113,133	\$ 240,810	\$ 226,331
Retail segment	153,207	151,496	298,250	293,323
Elimination of inter-company sales	(72,350)	(71,525)	(151,287)	(144,891)
Consolidated Total	<u>\$ 197,067</u>	<u>\$ 193,104</u>	<u>\$ 387,773</u>	<u>\$ 374,763</u>
Operating income:				
Wholesale segment	\$ 13,155	\$ 14,366	\$ 34,697	\$ 30,498
Retail segment	2,953	4,206	4,715	4,002
Adjustment of inter-company profit (1)	1,552	1,278	(1,282)	1,294
Consolidated Total	<u>\$ 17,660</u>	<u>\$ 19,850</u>	<u>\$ 38,130</u>	<u>\$ 35,794</u>
Depreciation & Amortization:				
Wholesale segment	\$ 1,995	\$ 1,915	\$ 4,089	\$ 3,806
Retail segment	2,680	2,495	5,305	4,893
Consolidated Total	<u>\$ 4,675</u>	<u>\$ 4,410</u>	<u>\$ 9,394</u>	<u>\$ 8,699</u>
Capital expenditures:				
Wholesale segment	\$ 3,048	\$ 3,018	\$ 7,009	\$ 4,492
Retail segment	4,657	2,235	6,106	4,066
Acquisitions	-	-	1,991	-
Consolidated Total	<u>\$ 7,705</u>	<u>\$ 5,253</u>	<u>\$ 15,106</u>	<u>\$ 8,558</u>

	December 31, 2014	June 30, 2014
Total Assets:		
Wholesale segment	\$ 330,770	\$ 339,271
Retail segment	350,864	344,025
Inventory profit elimination (2)	(29,567)	(28,862)
Consolidated Total	<u>\$ 652,067</u>	<u>\$ 654,434</u>

(1) Represents the change in wholesale profit contained in the retail segment inventory at the end of the period.

(2) Represents the wholesale profit contained in the retail segment inventory that has not yet been realized. These profits are realized when the related inventory is sold.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

(14) Recently Issued Accounting Pronouncements

There have been no recently issued accounting pronouncements during the six months ended December 31, 2014 that are expected to have a material effect on the Company's 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 domestic 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. Our other subsidiaries which are not guarantors are called the "Non-Guarantors".

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

The following tables set forth the condensed consolidating balance sheets as of December 31, 2014 and June 30, 2014, the condensed consolidating statements of operations for the three and six months ended December 31, 2014 and 2013, and the condensed consolidating statements of cash flows for the six months ended December 31, 2014 and 2013 of the Parent, the Issuer, the Guarantors and the Non-Guarantors.

CONDENSED CONSOLIDATING BALANCE SHEET

(In thousands)

December 31, 2014

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	\$ -	\$ 103,727	\$ 5,971	\$ 3,244	\$ -	\$ 112,942
Marketable securities	-	8,865	-	-	-	8,865
Accounts receivable, net	-	10,361	265	-	-	10,626
Inventories	-	-	175,436	5,880	(29,567)	151,749
Prepaid expenses and other current assets	-	10,213	10,880	1,930	-	23,023
Intercompany receivables	-	854,758	332,230	(3,412)	(1,183,576)	-
Total current assets	-	987,924	524,782	7,642	(1,213,143)	307,205
Property, plant and equipment, net	-	8,158	260,009	16,622	-	284,789
Goodwill and other intangible assets	-	37,905	7,223	-	-	45,128
Restricted cash and investments	-	8,008	-	-	-	8,008
Other assets	-	4,628	1,687	622	-	6,937
Investment in affiliated companies	751,476	(104,740)	-	-	(646,736)	-
Total assets	<u>\$ 751,476</u>	<u>\$ 941,883</u>	<u>\$ 793,701</u>	<u>\$ 24,886</u>	<u>\$ (1,859,879)</u>	<u>\$ 652,067</u>
Liabilities and Shareholders' Equity						
Current liabilities:						
Current maturities of long-term debt	\$ -	\$ 55,474	\$ 808	\$ -	\$ -	\$ 56,282
Customer deposits	-	-	49,469	3,310	-	52,779
Accounts payable	-	4,532	14,701	268	-	19,501
Accrued expenses and other current liabilities	3,613	30,039	11,108	1,614	-	46,374
Intercompany payables	366,876	(8,804)	792,251	33,253	(1,183,576)	-
Total current liabilities	370,489	81,241	868,337	38,445	(1,183,576)	174,936
Long-term debt	-	73,833	1,918	-	-	75,751
Other long-term liabilities	-	3,976	15,969	448	-	20,393
Total liabilities	370,489	159,050	886,224	38,893	(1,183,576)	271,080
Shareholders' equity	380,987	782,833	(92,523)	(14,007)	(676,303)	380,987
Total liabilities and shareholders' equity	<u>\$ 751,476</u>	<u>\$ 941,883</u>	<u>\$ 793,701</u>	<u>\$ 24,886</u>	<u>\$ (1,859,879)</u>	<u>\$ 652,067</u>

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

(In thousands)

June 30, 2014

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	\$ -	\$ 95,567	\$ 10,347	\$ 3,262	\$ -	\$ 109,176
Marketable securities	-	18,153	-	-	-	18,153
Accounts receivable, net	-	12,118	308	-	-	12,426
Inventories	-	-	168,996	6,141	(28,862)	146,275
Prepaid expenses and other current assets	-	6,954	10,800	1,845	-	19,599
Intercompany receivables	-	836,086	322,382	(3,478)	(1,154,990)	-
Total current assets	-	968,878	512,833	7,770	(1,183,852)	305,629
Property, plant and equipment, net	-	8,848	262,272	17,036	-	288,156
Goodwill and other intangible assets	-	37,905	7,223	-	-	45,128
Restricted cash and investments	-	8,507	-	-	-	8,507
Other assets	-	4,620	1,647	747	-	7,014
Investment in affiliated companies	731,003	(107,050)	-	-	(623,953)	-
Total assets	<u>\$ 731,003</u>	<u>\$ 921,708</u>	<u>\$ 783,975</u>	<u>\$ 25,553</u>	<u>\$ (1,807,805)</u>	<u>\$ 654,434</u>
Liabilities and Shareholders' Equity						
Current liabilities:						
Current maturities of long-term debt	\$ -	\$ -	\$ 501	\$ -	\$ -	\$ 501
Customer deposits	-	-	55,810	3,874	-	59,684
Accounts payable	-	6,423	17,699	198	-	24,320
Accrued expenses and other current liabilities	3,013	30,656	16,292	1,581	-	51,542
Intercompany payables	360,523	(8,468)	773,850	29,085	(1,154,990)	-
Total current liabilities	363,536	28,611	864,152	34,738	(1,154,990)	136,047
Long-term debt	-	129,255	1,156	-	-	130,411
Other long-term liabilities	-	4,241	15,763	505	-	20,509
Total liabilities	363,536	162,107	881,071	35,243	(1,154,990)	286,967
Shareholders' equity	367,467	759,601	(97,096)	(9,690)	(652,815)	367,467
Total liabilities and shareholders' equity	<u>\$ 731,003</u>	<u>\$ 921,708</u>	<u>\$ 783,975</u>	<u>\$ 25,553</u>	<u>\$ (1,807,805)</u>	<u>\$ 654,434</u>

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

(In thousands)

Three months ended December 31, 2014

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	\$ -	\$ 114,191	\$ 206,620	\$ 10,365	\$ (134,109)	\$ 197,067
Cost of sales	-	87,625	132,434	7,079	(136,145)	90,993
Gross profit	-	26,566	74,186	3,286	2,036	106,074
Selling, general and administrative expenses	45	13,351	70,395	4,623	-	88,414
Operating income (loss)	(45)	13,215	3,791	(1,337)	2,036	17,660
Interest and other income (expense)	10,083	1,143	2	59	(11,198)	89
Interest and other related financing costs	-	1,868	14	-	-	1,882
Income (loss) before income taxes	10,038	12,490	3,779	(1,278)	(9,162)	15,867
Income tax expense	-	4,443	1,368	18	-	5,829
Net income/(loss)	<u>\$ 10,038</u>	<u>\$ 8,047</u>	<u>\$ 2,411</u>	<u>\$ (1,296)</u>	<u>\$ (9,162)</u>	<u>\$ 10,038</u>

Three months ended December 31, 2013

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	\$ -	\$ 111,305	\$ 207,100	\$ 10,502	\$ (135,803)	\$ 193,104
Cost of sales	-	85,483	132,002	6,882	(137,262)	87,105
Gross profit	-	25,822	75,098	3,620	1,459	105,999
Selling, general and administrative expenses	45	11,910	69,174	5,020	-	86,149
Operating income (loss)	(45)	13,912	5,924	(1,400)	1,459	19,850
Interest and other income (expense)	11,600	2,498	(43)	(22)	(13,990)	43
Interest and other related financing costs	-	1,850	21	-	-	1,871
Income (loss) before income taxes	11,555	14,560	5,860	(1,422)	(12,531)	18,022
Income tax expense	-	4,419	2,059	(11)	-	6,467
Net income/(loss)	<u>\$ 11,555</u>	<u>\$ 10,141</u>	<u>\$ 3,801</u>	<u>\$ (1,411)</u>	<u>\$ (12,531)</u>	<u>\$ 11,555</u>

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

(In thousands)

Six months ended December 31, 2014

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	\$ -	\$ 236,656	\$ 407,113	\$ 22,521	\$ (278,517)	\$ 387,773
Cost of sales	-	178,609	261,068	15,031	(277,812)	176,896
Gross profit	-	58,047	146,045	7,490	(705)	210,877
Selling, general and administrative expenses	90	24,092	138,861	9,704	-	172,747
Operating income (loss)	(90)	33,955	7,184	(2,214)	(705)	38,130
Interest and other income (expense)	22,007	2,458	1	83	(24,317)	232
Interest and other related financing costs	-	3,727	44	-	-	3,771
Income (loss) before income taxes	21,917	32,686	7,141	(2,131)	(25,022)	34,591
Income tax expense	-	9,974	2,600	100	-	12,674
Net income/(loss)	<u>\$ 21,917</u>	<u>\$ 22,712</u>	<u>\$ 4,541</u>	<u>\$ (2,231)</u>	<u>\$ (25,022)</u>	<u>\$ 21,917</u>

Six months ended December 31, 2013

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	\$ -	\$ 222,828	\$ 401,928	\$ 20,941	\$ (270,934)	\$ 374,763
Cost of sales	-	169,416	259,157	13,739	(272,291)	170,021
Gross profit	-	53,412	142,771	7,202	1,357	204,742
Selling, general and administrative expenses	90	21,542	137,339	9,977	-	168,948
Operating income (loss)	(90)	31,870	5,432	(2,775)	1,357	35,794
Interest and other income (expense)	20,679	630	(43)	(38)	(21,103)	125
Interest and other related financing costs	-	3,701	43	-	-	3,744
Income (loss) before income taxes	20,589	28,799	5,346	(2,813)	(19,746)	32,175
Income tax expense	-	9,477	2,097	12	-	11,586
Net income/(loss)	<u>\$ 20,589</u>	<u>\$ 19,322</u>	<u>\$ 3,249</u>	<u>\$ (2,825)</u>	<u>\$ (19,746)</u>	<u>\$ 20,589</u>

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

(In thousands)

Six months ended December 31, 2014

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ 6,270	\$ (3,476)	\$ 5,766	\$ 1,900	\$ -	\$ 10,460
Cash flows from investing activities:						
Capital expenditures	-	(501)	(11,085)	(1,529)	-	(13,115)
Acquisitions	-	-	(1,991)	-	-	(1,991)
Proceeds from the disposal of property, plant and equipment	-	3,627	3,222	-	-	6,849
Change in restricted cash and investments	-	499	-	-	-	499
Sales of marketable securities	-	8,930	-	-	-	8,930
Other	-	90	-	-	-	90
Net cash provided by (used in) investing activities	-	12,645	(9,854)	(1,529)	-	1,262
Cash flows from financing activities:						
Payments on long-term debt	-	-	(288)	-	-	(288)
Dividends paid	(6,381)	-	-	-	-	(6,381)
Increase in deferred financing costs	-	(1,020)	-	-	-	(1,020)
Other	111	11	-	-	-	122
Net cash provided by (used in) financing activities	(6,270)	(1,009)	(288)	-	-	(7,567)
Effect of exchange rate changes on cash	-	-	-	(389)	-	(389)
Net increase (decrease) in cash and cash equivalents	-	8,160	(4,376)	(18)	-	3,766
Cash and cash equivalents – beginning of period	-	95,567	10,347	3,262	-	109,176
Cash and cash equivalents – end of period	\$ -	\$ 103,727	\$ 5,971	\$ 3,244	\$ -	\$ 112,942

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

(In thousands)

Six months ended December 31, 2013

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ 5,316	\$ 16,056	\$ 608	\$ 626	\$ -	\$ 22,606
Cash flows from investing activities:						
Capital expenditures	-	(201)	(7,946)	(411)	-	(8,558)
Acquisitions	-	-	-	-	-	-
Proceeds from the disposal of property, plant and equipment	-	19	752	-	-	771
Change in restricted cash and investments	-	498	-	-	-	498
Purchases of marketable securities	-	(15,716)	-	-	-	(15,716)
Sales of marketable securities	-	10,723	-	-	-	10,723
Other	-	175	-	-	-	175
Net cash provided by (used in) investing activities	-	(4,502)	(7,194)	(411)	-	(12,107)
Cash flows from financing activities:						
Payments on long-term debt	-	-	(238)	-	-	(238)
Dividends paid	(5,502)	-	-	-	-	(5,502)
Other	186	35	-	-	-	221
Net cash provided by (used in) financing activities	(5,316)	35	(238)	-	-	(5,519)
Effect of exchange rate changes on cash	-	-	-	22	-	22
Net increase (decrease) in cash and cash equivalents	-	11,589	(6,824)	237	-	5,002
Cash and cash equivalents – beginning of period	-	57,307	12,463	2,831	-	72,601
Cash and cash equivalents – end of period	\$ -	\$ 68,896	\$ 5,639	\$ 3,068	\$ -	\$ 77,603

(16) Subsequent Events

On January 28, 2014, the Company amended its five-year, \$150 million senior secured revolving credit and term loan facility with J.P.Morgan Chase Bank, N.A. and Capital One, National Association.

The Amended Facility increased the revolving credit portion by \$15 million, and reduced the term loan portion by \$15 million. The Amended Facility provides a revolving credit line of up to \$115 million, subject to borrowing base availability, and a term loan of up to \$35 million.

Item 2. Management's 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, included in Item 1 of Part I of this Quarterly Report on Form 10-Q and (ii) our Annual Report on Form 10-K for the year ended June 30, 2014.

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 potential effects of natural disasters affecting our suppliers 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; the effects of terrorist attacks or conflicts or wars involving the United States or its allies or trading partners; those matters discussed in Items 1A and 7A of our Annual Report on Form 10-K for the year ended June 30, 2014 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

The Company's consolidated financial statements are based on the accounting policies used. Certain accounting policies require that estimates and assumptions be made by management for use in the preparation of the financial statements. Critical accounting policies are those that are central to the presentation of the Company's financial condition and results and that require subjective or complex estimates by management. There have been no material changes with respect to the Company's critical accounting policies from those disclosed in its 2014 Annual Report on Form 10-K filed with the SEC on August 15, 2014.

Overview

We are a leading interior design company and manufacturer and retailer of quality home furnishings. Founded over 80 years ago, today we're a leading international home fashion brand doing business in North America, Europe, Asia and the Middle East. We are vertically integrated from design through delivery, affording our clientele a value equation of style, quality and price that is unique to the industry. We offer complementary interior design service to our clients and sell a full range of furniture products and decorative accents through ethanallen.com and a network of approximately 300 design centers in the United States and abroad. The design centers represent a mix of independent licensees and our own Company operated retail segment. We own and operate eight manufacturing plants including five manufacturing plants and one sawmill in the United States and a manufacturing plant in each of Mexico and Honduras.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Our business model is to maintain continued focus on (i) getting our messages across with strong advertising and marketing campaigns, (ii) capitalizing on the strength of our interior design professionals and management in our retail business, (iii) investing in new technologies across key aspects of our vertically integrated business, and (iv) leveraging the benefits of our vertical integration by maintaining our North American manufacturing capacity where we manufacture approximately 70% of our products.

Our competitive advantages arise from:

- providing fashionable high quality products of the finest craftsmanship,
- offering complimentary design service through an estimated 2,000 motivated interior design professionals network-wide, which we believe makes us the world's leading interior design network,
- our wide array of custom product offerings across our upholstery, case goods, and accent product categories,
- enhancing our technology in all aspects of the business, and
- leveraging our vertically integrated structure.

We continue to make considerable investments to strengthen the level of service, professionalism, and interior design competence, as well as to improve the efficiency of our retail operations. We believe that over time, we will continue to benefit from (i) continuous repositioning of our retail network, (ii) frequent new product introductions, (iii) new and innovative marketing promotions and effective use of targeted advertising media, and (iv) continued use of the latest technology coupled with personal service from our interior design professionals. We believe our network of professionally trained interior design professionals differentiates us significantly from others in our industry.

Results of Operations

In the second quarter of fiscal 2015, consolidated net sales of \$197.1 million increased 2.1% compared to the second quarter of fiscal 2014. During the same period, consolidated operating margin decreased to 9.0% from 10.3%, and net income decreased to \$0.34 from \$0.39 per diluted share impacted from the transition that was taking place this quarter as our new product merchandising programs were implemented across the enterprise.

During this second quarter, our retail segment had significantly more clearance sales than in the comparable prior year period as we continued selling off floor samples at a discount to make room for the newly designed products being introduced in fiscal 2015. Along with the clearance sales, many of our design centers were undergoing renovations which include new signage, flooring, paint, fixtures and lighting to enhance the consumer buying experience, the majority of which were completed this quarter. Our new products, many of which have been designed to be made in our North American workshops, began shipping from our wholesale segment during our first quarter of fiscal 2015, and were substantially completed and on the display floors during this quarter.

Comparing the second quarters of fiscal 2015 and fiscal 2014, net sales improved by 1.1% in our retail segment, and by 2.7% in our wholesale segment. The ratio of retail segment net sales to consolidated net sales for the second quarter was 77.7% compared to 78.5%. The consolidated gross margin was 53.8% for the second quarter of fiscal 2015 compared to 54.9%, and operating expenses as a percentage of total net sales was 44.9% in fiscal 2015 compared to 44.6%.

Written orders booked by the retail segment in the second quarter of fiscal 2015 increased by 7.8% as compared to the same quarter of fiscal 2014 which we believe reflects the positive consumer response to our new product offerings, which offset a lower current year design center count and a higher ratio of clearance sales than in the prior year. Comparable written orders increased by 8.4% in the second quarter of fiscal 2015 compared to the same quarter of fiscal 2014.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

We measure the performance of our retail design centers based on net sales and written orders booked on a comparable period to period basis. 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 center sales in their 13th full month of Ethan Allen-owned operations. The frequency of our promotional events as well as the timing of the end of those events can impact the orders booked during a given quarter. Our international net sales are comprised of our wholesale segment sales to independent retailers and our retail segment sales to consumers through the Company operated Design Centers. International net sales as a percent of our consolidated net sales were 10.7% for the second quarter of fiscal 2015 and 9.9% for the comparable prior year period. The following tables show selected Design Center location information.

	Year-to-date Fiscal 2015			Year-to-date Fiscal 2014		
	Independent retailers	Company- operated	Total	Independent retailers	Company- operated	Total
Retail Design Center location activity:						
Balance at beginning of period	152	143	295	148	147	295
New locations	14	1	15	5	7	12
Closures	(11)	(2)	(13)	(5)	(7)	(12)
Transfers	(2)	2	-	-	-	-
Balance at end of period	<u>153</u>	<u>144</u>	<u>297</u>	<u>148</u>	<u>147</u>	<u>295</u>
Relocations (in new and closures)	6	1	7	-	4	4
Retail Design Center geographic locations:						
United States	58	135	193	61	139	200
International	95	9	104	87	8	95
Total	<u>153</u>	<u>144</u>	<u>297</u>	<u>148</u>	<u>147</u>	<u>295</u>

Second Quarter Ended December 31, 2014 Compared to Second Quarter Ended December 31, 2013

Consolidated net sales for the second quarter of fiscal 2015 increased 2.1% to \$197.1 million from \$193.1 million in the second quarter of fiscal 2014. Net sales increased in both our wholesale and retail segments.

Wholesale net sales for the second quarter of fiscal 2015 increased 2.7% to \$116.2 million from \$113.1 million in the second quarter of fiscal 2014. We benefited this fiscal year from new products, improved pricing, and five additional independent retailer Design Centers.

Retail net sales from the Company's retail segment for the second quarter of fiscal 2015 increased 1.1% to \$153.2 million from \$151.5 million for the second quarter of fiscal 2014. This was partly due to our promotional campaigns during the current fiscal year quarter and increased clearance sales, partly offset by a reduction of three Design Centers from one year ago. Our written business (new orders booked) in the second quarter of fiscal 2015 increased 7.8% while comparable design center written business increased 8.4% compared to the second quarter of fiscal 2014. At December 31, 2014, the retail undelivered backlog was 0.7% higher than a year ago.

Gross profit was \$106.1 million for the second quarter of fiscal 2015, slightly up from \$106.0 million in the second quarter of fiscal 2014 with growth in net sales in both our wholesale and retail segments. Consolidated gross margin for the second quarter of fiscal 2015 was 53.8%, down from 54.9% for the second quarter of fiscal 2014. Gross margin was impacted due to inefficiencies in our manufacturing related to startup of the new product production, winding down old product production, and increased clearance sales in our retail segment. A lower proportion of retail segment net sales to our consolidated net sales also contributed to a lower consolidated margin. This was partly offset by intercompany profit released by retail sales.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Operating expenses for the second quarter of fiscal 2015 increased \$2.3 million or 2.6% to \$88.4 million from \$86.1 million for the second quarter of fiscal 2014 due primarily to variable cost increases on the 2.1% increase in sales, loss on the sale of real estate, and additional advertising expense and costs associated with the new product launch.

Operating income and profit margin for the second quarter of fiscal 2015 was \$17.7 million or 9.0% of net sales, a decrease of \$2.2 million or 11.0% from \$19.9 million, or 10.3% of net sales for the second quarter of fiscal 2014.

Wholesale operating income for the second quarter of fiscal 2015 was \$13.2 million, or 11.3% of sales, compared to \$14.4 million, or 12.7% of sales, for the second quarter of fiscal 2014, decreasing largely due to the loss on the sale of real estate and manufacturing inefficiencies.

Retail operating income for the second quarter of fiscal 2015 was \$3.0 million, or 1.9% of sales, compared to \$4.2 million, or 2.8% of sales for second quarter of fiscal 2014, with a lower operating margin driven primarily by increased operating expenses and clearance product discounts associated with the new product launch.

Interest and other income was not material in either the second quarter of the current or prior fiscal year.

Interest and other related financing costs amounted to \$1.9 million in the second quarters of both fiscal 2015 and 2014.

Income tax expense for the second quarter of fiscal 2015 totaled \$5.8 million compared to \$6.5 million for the second quarter of fiscal 2014. Our effective tax rate for the current quarter was 36.7% compared to 35.9% in the prior year quarter. The current quarter effective tax rate primarily includes tax expense on the current quarter's net income, and tax and interest expense on uncertain tax positions. The prior period effective tax rate primarily includes the tax expense on that quarter's net income, interest expense on uncertain tax positions, and the impact of maintaining valuation allowances on certain retail segment deferred tax assets, partly offset by the recognition of some uncertain tax positions.

Net income for the second quarter of fiscal 2015, was \$10.0 million compared to \$11.6 million for the second quarter of fiscal 2014. This resulted in net income per diluted share of \$0.34 for the second quarter of fiscal 2015 compared to \$0.39 per diluted share for the second quarter of fiscal 2014.

Six Months Ended December 31, 2014 Compared to Six Months Ended December 31, 2013

Consolidated net sales for the six months ended December 31, 2014 increased 3.5% to \$387.8 million from \$374.8 million for the six months ended December 31, 2013. The increase reflects the increased net sales in both our wholesale and retail segments.

Wholesale net sales for the six months ended December 31, 2014 increased 6.4% to \$240.8 million from \$226.3 million in the prior year comparable period, supported by increased shipments to both our domestic and international retailers. We benefitted from shipments of new product floor samples, improved pricing during the current fiscal year, and five additional independent retailer Design Centers this fiscal year.

Retail net sales from the Company's retail segment for the six months ended December 31, 2014 increased 1.7% to \$298.3 million from \$293.3 million for the prior year comparable period. This was partly due to our promotional campaigns during the current fiscal year quarter and increased clearance sales, partly offset by a slight reduction in Design Centers from one year ago. Our written business (new orders booked) in the first six months of fiscal 2015 increased 3.0% while comparable design center written business increased 4.1% compared to the comparable period of fiscal 2014.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Gross profit was \$210.9 million for the six months ended December 31, 2014, up 3.0% from \$204.7 million in the prior year comparable period due to the growth in net sales in both our wholesale and retail segments. Consolidated gross margin for the first six months of fiscal 2015 was 54.4%, down slightly from 54.6% for the first six months of fiscal 2014. The reduction was due to increased clearance sales associated with our new product launch, an increase in intercompany profit eliminated due to a year to date retail inventory increase, and a lower proportion of retail segment net sales to our consolidated net sales and manufacturing inefficiencies due to the product transition.

Operating expenses for the first six months of fiscal 2015 increased \$3.8 million or 2.2% to \$172.7 million from \$168.9 million in the prior year comparable period due primarily to loss on the sale of real estate and expenses associated with the new product transition.

Operating income and profit margin for the first six months of fiscal 2015 was \$38.1 million or 9.8% of net sales, an increase of \$2.3 million or 6.5% from \$35.8 million, or 9.6% of net sales for the first six months of fiscal 2014.

Wholesale operating income for the six months ended December 31, 2014 was \$34.7 million, or 14.4% of sales, compared to \$30.5 million, or 13.5% of sales, in the prior year comparable period, improving largely due to the increase in sales.

Retail operating income for the six months ended December 31, 2014 was \$4.7 million, or 1.6% of sales, compared to \$4.0 million, or 1.4% of sales in the prior year comparable period, with the improvement in operating margin driven primarily by increased retail net sales.

Interest and other income was not material in either the first six months of the current or prior fiscal year.

Interest and other related financing costs amounted to \$3.8 million in the first six months of fiscal 2015 and \$3.7 million in the first six months of fiscal 2014.

Income tax expense for the first six months ended December 31, 2014 totaled \$12.6 million compared to \$11.6 million for the six months ended December 31, 2013. Our effective tax rate for the current fiscal year was 36.6% compared to 36.0% in the prior fiscal year. The current year effective tax rate primarily includes tax expense on the current net income, and tax and interest expense on uncertain tax positions. The prior period effective tax rate primarily includes the tax expense on that periods net income, interest expense on uncertain tax positions, and the impact of maintaining valuation allowances on certain retail segment deferred tax assets, partly offset by the recognition of some uncertain tax positions.

Net income for the six months ended December 31, 2014, was \$22.0 million compared to \$20.6 million in the prior year comparable period. This resulted in net income per diluted share of \$0.75 for the period ended December 31, 2014 compared to \$0.70 per diluted share for the period ended December 31, 2013.

Liquidity and Capital Resources

At December 31, 2014, we held unrestricted cash and cash equivalents of \$112.9 million, marketable securities of \$8.9 million, and restricted cash and investments of \$8.0 million. At June 30, 2014, we held unrestricted cash and cash equivalents of \$109.2 million, marketable securities of \$18.2 million, and restricted cash and investments of \$8.5 million. Our principal sources of liquidity include cash and cash equivalents, marketable securities, cash flow from operations, amounts available under our credit facility, and other borrowings.

In September 2005, we issued \$200.0 million in ten-year senior unsecured notes due October 1, 2015 (the "Senior Notes"). The Senior Notes were issued by Global, bearing an annual coupon rate of 5.375% with interest payable semi-annually in arrears on April 1 and October 1. We used the net proceeds of \$198.4 million to improve our retail network, invest in our manufacturing and logistics operations, and for other general corporate purposes. In fiscal years 2011 through 2013, the Company repurchased an aggregate \$70.6 million of the Senior Notes.

On October 21, 2014, the Company entered into a five year, \$150 million senior secured revolving credit and term loan facility (the "Facility"). The Facility is provided by a syndicate of two banks, and was arranged by J.P. Morgan Securities LLC and Capital One, National Association as joint lead arrangers. The new agreement amended and restated the current five-year, \$50 million secured revolving credit facility in its entirety.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

The Facility provides a term loan of up to \$50 million and a revolving credit line of up to \$100 million, subject to borrowing base availability. The Facility expires on October 21, 2019.

At the Company's option, revolving loans under the Facility bear interest, based on the average availability, at an annual rate of either (a) the London Interbank Offered rate ("LIBOR") plus 1.5% to 1.75%, or (b) the higher of (i) the prime rate, (ii) the federal funds effective rate plus 0.50%, or (iii) LIBOR plus 1.0% plus in each case 0.5% to 0.75%.

At the Company's option, term loans under the Facility bear interest, based on the Company's rent adjusted leverage ratio, at an annual rate of either (a) the London Interbank Offered rate ("LIBOR") plus 1.75% to 2.25%, or (b) the higher of (i) the prime rate, (ii) the federal funds effective rate plus 0.50%, or (iii) LIBOR plus 1.0% plus in each case 0.75% to 1.25%.

The Company pays a commitment fee of 0.15% to 0.25% per annum on the unused portion of the Facility, and fees on issued letters of credit at an annual rate of 1.5% to 1.75% based on the average availability. Certain payments are restricted if the availability under the revolving credit line falls below 20% of the total revolving credit line, and subject to pro forma compliance with the fixed charge coverage ratio if applicable.

The term loan is available in a single drawing of up to \$50 million on a delayed-draw basis through April 21, 2015. In order to draw on the term loan, the Company's Senior Notes must be paid in full substantially concurrently with the making of the term loan. Quarterly installments of principal are payable on the amount borrowed under the term loan based on a straight line 15 year amortization period, with the balance due at maturity.

The Facility is secured by all property owned, leased or operated by the Company in the United States and includes certain real property owned by the Company and contains customary covenants which may limit the Company's ability to incur debt; engage in mergers and consolidations; make restricted payments (including dividends); sell certain assets; and make investments.

The Company must maintain at all times a minimum fixed charge coverage ratio of 1.0 to 1.0 for the first year and 1.1 to 1.0 all times thereafter. If the outstanding term loans are less than \$25 million and the fixed charge coverage ratio equals or exceeds 1.25 to 1.0, the fixed charge coverage ratio ceases to apply and thereafter shall only be triggered if average monthly availability is less than 15% of the amount of the revolving credit line. Our fixed charge coverage ratio was 1.3 to 1.0 at December 31, 2014.

The Company intends to use the proceeds of the Facility for working capital and general corporate purposes and, prior to April 21, 2015, to refinance our Senior Notes, which are due October 1, 2015. If the Company redeems in full the Senior Notes prior to maturity, the note holders are entitled to reimbursement of the present value of interest to maturity at an applicable discount rate. At December 31, 2014, the unredeemed amount of the notes was \$129.4 million, and the applicable discount rate was 0.28%.

At both December 31, 2014 and June 30, 2014, we were in compliance with all covenants of the Senior Notes and the Facility.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

A summary of net cash provided by (used in) operating, investing, and financing activities for the six months ended December 31, 2014 and 2013 is provided below (in millions):

	Six months ended December 31,	
	2014	2013
Operating Activities		
Net income plus depreciation and amortization	\$ 31.3	\$ 29.3
Working capital items	(24.5)	(9.9)
Other operating activities	3.7	3.2
Total provided by operating activities	<u>\$ 10.5</u>	<u>\$ 22.6</u>
Investing Activities		
Capital expenditures and acquisitions	\$ (15.1)	\$ (8.6)
Net sales of marketable securities	8.9	(5.0)
Other investing activities	7.5	1.5
Total provided by investing activities	<u>\$ 1.3</u>	<u>\$ (12.1)</u>
Financing Activities		
Payments on long-term debt and capital lease obligations	\$ (0.3)	\$ (0.2)
Payment of deferred financing costs	(1.0)	-
Payment of cash dividends	(6.4)	(5.5)
Other financing activities	0.1	0.2
Total used in financing activities	<u>\$ (7.6)</u>	<u>\$ (5.5)</u>

Operating Activities

In the first six months of fiscal 2015, cash of \$10.5 million was provided by operating activities, a decrease of \$12.1 million from the prior year comparable period. This was largely due to more cash used in fiscal year 2015 for working capital in the ordinary course of business (primarily inventories and trade payables and accrued expenses), as well as changes to other working capital items (defined below). There was \$0.5 million less cash provided by other operating activities in fiscal 2015 than in fiscal 2014. Working capital items consist of current assets (accounts receivable, inventories, prepaid and other current assets) less current liabilities (customer deposits, payables, and accrued expenses and other current liabilities).

Investing Activities

In the first six months of fiscal 2015, \$1.3 million of cash was provided by investing activities, an increase of \$13.4 million from the prior year comparable period. More cash was provided in the first six months of fiscal 2015 primarily due to current fiscal year increases in both net sales of marketable securities and in net proceeds on the sale of real estate, which was partly offset by increased current fiscal year capital expenditures related to the addition of new technology in our manufacturing, acquisitions and the remodeling of our design centers taking place in conjunction with the new product launch. We anticipate that cash from operations will be sufficient to fund future capital expenditures.

Financing Activities

In the first six months of fiscal 2015, \$7.6 million was used in financing activities, which is \$2.1 million more cash used than was used during the first six months of fiscal 2014. This was primarily due to dividends paid, and costs to refinance the Facility. Two quarterly dividends were paid in the first six months of fiscal 2015 with a 20% dividend increase from \$0.10 to \$0.12 per share paid in October 2014. The Company has continuously paid dividends for every quarter since 1996 and we expect to continue to do so as economic conditions and liquidity permit.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

As of December 31, 2014, our outstanding debt totaled \$132.0 million, which consists of \$129.3 million in Senior Notes which mature in October 2015 and \$2.7 million in capital leases which mature at various times through March 2020. The aggregate scheduled maturities of long-term debt for each of the next five fiscal years are \$130.2 million in fiscal 2016, \$0.9 million in fiscal 2017, \$0.5 million in fiscal 2018, \$0.1 million in fiscal 2019 and 2020. At June 30, 2014, our outstanding debt totaled \$130.9 million, the current and long-term portions of which amounted to \$0.5 million and \$130.4 million respectively.

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 – Management’s Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended June 30, 2014 as filed with the SEC on August 15, 2014.

We believe that our cash flow from operations, together with our other available sources of liquidity including the Facility and refinancing alternatives, 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 December 31, 2014, we had working capital of \$132.3 million compared to \$169.6 million at June 30, 2014, a decrease of \$37.3 million, or 22.0%. This is primarily due to our Senior Notes becoming due in less than one year, offset by a reclassification to long-term the portion of the Senior Notes that we have the intent and ability to refinance on a long term basis. The Company had a current ratio of 1.76 to 1 at December 31, 2014 and 2.25 to 1 at June 30, 2014.

In addition to using available cash to fund changes in working capital, capital expenditures, acquisition activity, the repayment of debt, the payment of dividends, and debt repurchases, we have been authorized by our Board of Directors to repurchase shares of 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 both six month periods ending December 31, 2014 and 2013, there were no repurchases and/or retirements of our common stock. At December 31, 2014, we had a remaining Board authorization to repurchase 1,101,490 shares of our common stock.

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

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.

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. The only such program in place both at December 31, 2014 and June 30, 2014 was for our consumer credit program.

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 the Company and that financial service provider (the “Program Agreement”) which was last amended effective January 2014. 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. The term of the Program Agreement ends July 31, 2019, including a provision for automatic one year renewals unless either party gives notice of termination. 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. To ensure funding for delivery of products sold, the terms of the Program Agreement also contain a right for the financial services provider to demand from the Company collateral at a variable rate based on the volume of program sales if the Company does not meet certain financial covenants. If collateral had been required, it would have been between \$5 million and \$10 million depending on the variable rate. As of December 31, 2014 and June 30, 2014, no collateral was required under the Program Agreement.

Product Warranties

Our products, including our case goods, upholstery and home accents, generally carry explicit product warranties that extend from one to ten 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 occasions, 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 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. At both December 31, 2014 and June 30, 2014, our product warranty liability totaled \$1.0 million.

Business Outlook

We expect the home furnishings industry to remain extremely competitive with respect to both the sourcing of products and the wholesale and retail sale of those products for the foreseeable future. Domestic manufacturers continue to face pricing pressures because of the lower manufacturing costs in some other countries, particularly within Asia. While we have also turned to overseas sourcing to remain competitive, we choose to differentiate ourselves by maintaining a substantial North American manufacturing base, where we can leverage our vertically integrated structure to our advantage. We continue to believe that a balanced approach to product sourcing, which includes our own North American manufacturing 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.

Many U.S. macroeconomic factors have improved during the past three years including lowered unemployment, improved consumer confidence, and the growth of housing related market indicators. However, a change in consumer confidence could have an impact on consumer discretionary spending habits and, as a result, our business. We therefore remain cautiously optimistic about our performance due to the many strong programs already in place and others we currently plan to introduce in the coming months. Our retail strategy involves (i) a continued focus on providing new product introductions, a wide array of product solutions, and superior interior design solutions through our large staff of interior design professionals, (ii) continuing strong advertising and marketing campaigns to get our message across and to continue broadening our customer base, (iii) the opening of new or relocated design centers in more prominent locations, and encouraging independent retailers to do the same, (iv) leveraging the use of technology and personal service within our retail network, and (v) further expansion internationally. We believe this strategy provides an opportunity to grow our business.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the market risks disclosed in our Annual Report on Form 10-K for the year ended June 30, 2014 as filed with the SEC on August 15, 2014.

Item 4. Controls and Procedures

Management's Report on Disclosure Controls and Procedures

Our management, including the Chairman of the Board and Chief Executive Officer ("CEO") and the Executive Vice President Administration and Chief Financial Officer ("CFO"), 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 CFO have concluded that, as of December 31, 2014, 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 SEC's rules and forms, and (ii) accumulated and communicated to management, including the CEO and CFO, 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 fiscal quarter ended December 31, 2014 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

There have been no material changes 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, 2014 as filed with the SEC on August 15, 2014.

Item 1A. Risk Factors

There have been no material changes 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, 2014 as filed with the SEC on August 15, 2014.

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

Issuer Purchases of Equity Securities

Neither we nor any affiliated purchaser of us (as defined in Rule 10b-18(a)(3) under the Exchange Act) repurchased any shares of our common stock during the six months ended December 31, 2014. The maximum number of shares that may yet be purchased under our publicly announced repurchase program is 1,101,490.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Item 1.01 Entry into a Material Definitive Agreement

On January 28, 2015, the Company amended its five-year, \$150 million senior secured revolving credit and term loan facility with J.P.Morgan Chase Bank, N.A. and Capital One, National Association.

The Amended Facility increased the revolving credit portion by \$15 million, and reduced the term loan portion by \$15 million. The Amended Facility provides a revolving credit line of up to \$115 million, subject to borrowing base availability, and a term loan of up to \$35 million.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off Balance Sheet Arrangement of a Registrant

The disclosure set forth under Item 1.01 above is incorporated by reference into this item 2.03. On January 28, 2015 there were \$0.3 million in outstanding letters of credit, and no borrowings under the Facility described in Item 1.01 above.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Item 6. Exhibits

Exhibit Number	Description
10.1	Amendment No. 1, dated as of January 28, 2015, to the Amended and Restated Credit Agreement dated as of October 21, 2014 among Ethan Allen Global, Inc., Ethan Allen Interiors Inc., J.P.Morgan Chase Bank, N.A. and Capital One, National Association (incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed with the SEC on January 28, 2015).
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
101.INS**	XBRL Instance
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation
101.DEF**	XBRL Taxonomy Extension Definition
101.LAB**	XBRL Taxonomy Extension Labels
101.PRE**	XBRL Taxonomy Extension Presentation

**** XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is not deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.**

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

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: January 28, 2015

BY: /s/ M. Farooq Kathwari

M. Farooq Kathwari

Chairman, President and Chief Executive Officer
(Principal Executive Officer)

DATE: January 28, 2015

BY: /s/ Corey Whitely

Corey Whitely

Executive Vice President Administration
Chief Financial Officer and Treasurer
(Principal Financial Officer)

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

EXHIBIT INDEX

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31.1	Rule 13a-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a) Certification of Principal Financial Officer
32.1	Section 1350 Certification of Principal Executive Officer
32.2	Section 1350 Certification of Principal Financial Officer
101.INS**	XBRL Instance
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation
101.DEF**	XBRL Taxonomy Extension Definition
101.LAB**	XBRL Taxonomy Extension Labels
101.PRE**	XBRL Taxonomy Extension Presentation

** XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is not deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

AMENDMENT NO. 1

Dated as of January 28, 2015

to

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of October 21, 2014

THIS AMENDMENT NO. 1 ("Amendment") is made as of January 28, 2015 by and among Ethan Allen Global, Inc. (the "Borrower"), Ethan Allen Interiors Inc. ("Holdings"), Ethan Allen Operations, Inc. ("Operations"), Ethan Allen Realty, LLC ("Realty"), Ethan Allen Retail, Inc. ("Retail"), Lake Avenue Associates, Inc. ("Lake Avenue") and Manor House, Inc. ("Manor House"), and collectively with the Borrower, Holdings, Operations, Realty, Retail and Lake Avenue, the "Loan Parties", the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, N.A., as Administrative Agent (in such capacity, the "Administrative Agent") under that certain Amended and Restated Credit Agreement dated as of October 21, 2014 by and among the Borrower, Holdings, the other Loan Parties, the Lenders and the Administrative Agent (as may be further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, reference is made to the Amended and Restated Pledge and Security Agreement, dated as of October 21, 2014, by and among the Borrower, Holdings, the other Loan Parties party thereto and the Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time, the "Security Agreement");

WHEREAS, the Borrower has requested that the Lenders and the Administrative Agent agree to certain amendments to the Credit Agreement and the Security Agreement;

WHEREAS, the Lenders party hereto and the Administrative Agent have agreed to amend the Credit Agreement and the Security Agreement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, Holdings, the Lenders party hereto and the Administrative Agent have agreed to enter into this Amendment.

1. Amendments to Credit Agreement. Effective as of the date of satisfaction of the conditions precedent set forth in Section 3 below, the Credit Agreement is hereby amended as follows:

- (a) Section 1.01 of the Credit Agreement is amended to add the following new definition thereto in the appropriate alphabetical order:

"Amendment No. 1 Effective Date" means January 28, 2015.

- (b) The definition of "Aggregate Revolving Commitment" appearing in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Aggregate Revolving Commitment" means the aggregate of the Revolving Commitments of all of the Revolving Lenders, as increased or reduced from time to time pursuant to the terms and conditions hereof. The Aggregate Revolving Commitment as of the Amendment No. 1 Effective Date is \$115,000,000."

(c) The definition of "Availability Threshold" appearing in Section 1.01 of the Credit Agreement is hereby amended to (x) replace the references therein to "\$25,000,000" with "\$17,500,000" and (y) replace the reference therein to "35%" with "43%".

(d) The definition of "Commitment" appearing in Section 1.01 of the Credit Agreement is amended to restate the last sentence thereof in its entirety to read as follows:

"The amount of each Lender's Commitment as of the Amendment No. 1 Effective Date is set forth on Schedule 2.01, or in the Assignment and Assumption or other documentation contemplated hereby pursuant to which such Lender shall have assumed its Commitment, as applicable."

(e) The definition of "Eligible Trademark Component" appearing in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Eligible Trademark Component" means, at any time, an amount equal to the sum of the following amounts calculated for each Eligible Trademark of the Loan Parties: the applicable Trademark Amortization Factor for such Eligible Trademark multiplied by 50% of the Net Orderly Liquidation Value identified in the most recent trademark appraisal ordered by the Administrative Agent of such Eligible Trademark; provided, however, that the Eligible Trademark Component shall not exceed 40% of the Aggregate Revolving Commitment."

(f) The definition of "Financial Covenant Exemption Period" appearing in Section 1.01 of the Credit Agreement is hereby amended to replace the reference therein to "\$25,000,000" with "\$17,500,000".

(g) The definition of "Monthly FCCR Testing Period" appearing in Section 1.01 of the Credit Agreement is hereby amended to replace the reference therein to "35%" with "43%".

(h) The definition of "Revolving Commitment" appearing in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Revolving Commitment" means, with respect to each Lender, the commitment, if any, of such Lender to make Revolving Loans and to acquire participations in Letters of Credit, Overadvances and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate permitted amount of such Lender's Revolving Exposure hereunder, as such commitment may be reduced or increased from time to time pursuant to (a) Section 2.09 and (b) assignments by or to such Lender pursuant to Section 9.04. The amount of each Lender's Revolving Commitment as of the Amendment No. 1 Effective Date is set forth on Schedule 2.01, or in the Assignment and Assumption or other documentation contemplated hereby pursuant to which such Lender shall have assumed its Revolving Commitment, as applicable. The aggregate amount of the Lenders' Revolving Commitments as of the Amendment No. 1 Effective Date is \$115,000,000."

(i) The definition of "Term Loan Commitment" appearing in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Term Loan Commitment" means (a) as to any Term Lender, the aggregate commitment of such Term Lender to make Term Loans on the Term Loan Funding Date, as such commitment may be reduced from time to time pursuant to Section 2.09 and assignments by or to such Lender pursuant to Section 9.04 and (b) as to all Term Lenders, the aggregate commitment of all Term Lenders to make Term Loans, which aggregate commitment on the Amendment No. 1 Effective Date shall be \$35,000,000. The amount of each Lender's Term Loan Commitment as of the Amendment No. 1 Effective Date is set forth on Schedule 2.01, or in the most recent Assignment and Assumption executed by such Term Lender, as applicable. After advancing the Term Loan, each reference to a Term Lender's Term Loan Commitment shall refer to such Term Lender's Applicable Percentage of the Term Loans."

(j) Section 2.09(e) of the Credit Agreement is amended to replace the reference therein to “150,000,000” with “165,000,000”.

(k) Clause (l) of Article VII of the Credit Agreement is hereby amended and restated to read as follows:

“(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of Holdings and its Subsidiaries in an aggregate amount exceeding \$10,000,000;”

(l) Schedule 2.01 to the Credit Agreement is replaced in its entirety with Schedule 2.01 attached hereto.

2 . Amendment to Security Agreement. Effective as of the date of satisfaction of the conditions precedent set forth in Section 3 below, the Security Agreement is hereby amended to restate the last two sentences of Section 4.5 thereof in their entirety to read as follows:

“With respect to any Pledged Collateral owned by it, such Grantor will take any actions necessary to cause (a) the issuers of uncertificated securities which are Pledged Collateral and (b) subject to the threshold set forth in the following sentence, any securities intermediary which is the holder of any such Pledged Collateral, to cause the Administrative Agent to have and retain Control over such Pledged Collateral. Without limiting the foregoing, such Grantor will, with respect to any such Pledged Collateral held with a securities intermediary in a Securities Account with a value, individually or in aggregate, equal to or exceeding \$750,000, cause such securities intermediary to enter into a control agreement with the Administrative Agent, in form and substance satisfactory to the Administrative Agent, giving the Administrative Agent Control.”

3 . Conditions of Effectiveness. The effectiveness of this Amendment is subject to the conditions precedent that the Administrative Agent shall have received (a) counterparts of this Amendment duly executed by the Borrower, Holdings, the Lenders and the Administrative Agent and (b) such other opinions, instruments and/or documents as are reasonably requested by the Administrative Agent.

4. Representations and Warranties of the Loan Parties. Each Loan Party hereby represents and warrants as follows:

(a) This Amendment and each of the Credit Agreement and the Security Agreement (each as amended hereby) constitute legal, valid and binding obligations of such Loan Party and are enforceable against such Loan Party in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) As of the date hereof and giving effect to the terms of this Amendment, (i) no Default shall have occurred and be continuing and (ii) the representations and warranties of such Loan Party set forth in the Credit Agreement, as amended hereby, are true and correct as of the date hereof.

5. Reference to and Effect on the Credit Agreement and the Security Agreement

(a) Upon the effectiveness hereof, each reference to the Credit Agreement and the Security Agreement in the Credit Agreement, the Security Agreement or any other Loan Document shall mean and be a reference to the Credit Agreement and the Security Agreement, as the case may be, as amended hereby.

(b) Except as specifically amended above, each Loan Document and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement, the Security Agreement, the Loan Documents or any other documents, instruments and agreements executed and/or delivered in connection therewith.

6. Consent and Reaffirmation. Without in any way establishing a course of dealing by the Administrative Agent or any Lender, each of the undersigned Loan Parties consents to the Amendment and reaffirms the terms and conditions of the Credit Agreement, the Security Agreement and any other Loan Document executed by it and acknowledges and agrees that the Credit Agreement, the Security Agreement and each and every such Loan Document executed by the undersigned in connection with the Credit Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed.

7. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

8. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

9. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or PDF shall have the same force and effect as manual signatures delivered in person.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

ETHAN ALLEN GLOBAL, INC.,
as the Borrower

By: _____
Name:
Title:

ETHAN ALLEN INTERIORS INC.,

By: _____
Name:
Title:

ETHAN ALLEN OPERATIONS, INC

By: _____
Name:
Title:

LAKE AVENUE ASSOCIATES, INC.

By: _____
Name:
Title:

MANOR HOUSE, INC.

By: _____
Name:
Title:

Signature Page to Amendment No. 1
Ethan Allen Global, Inc.
Amended and Restated Credit Agreement dated as of October 21, 2014

ETHAN ALLEN REALTY LLC

By Ethan Allen Operations, Inc., its Sole Member

By: _____

Name:

Title:

ETHAN ALLEN RETAIL, INC.

By: _____

Name:

Title:

Signature Page to Amendment No. 1
Ethan Allen Global, Inc.
Amended and Restated Credit Agreement dated as of October 21, 2014

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent, Issuing Bank, Swingline Lender and individually as a Lender

By: _____
Name:
Title:

Signature Page to Amendment No. 1
Ethan Allen Global, Inc.
Amended and Restated Credit Agreement dated as of October 21, 2014

CAPITAL ONE, NATIONAL ASSOCIATION,
as a Lender

By: _____
Name:
Title:

Signature Page to Amendment No. 1
Ethan Allen Global, Inc.
Amended and Restated Credit Agreement dated as of October 21, 2014

SCHEDULE 2.01

COMMITMENTS

Lender	Revolving Commitment	Term Loan Commitment
JPMorgan Chase Bank, N.A	\$57,500,000	\$17,500,000
Capital One, National Association	\$57,500,000	\$17,500,000
Total:	\$115,000,000	\$35,000,000

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Exhibit 31.1

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

I, M. Farooq Kathwari, certify that:

I have reviewed this Quarterly Report on Form 10-Q of Ethan Allen Interiors Inc. ;

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;

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 registrant as of, and for, the periods presented in this report;

The registrant'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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

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

January 28, 2015

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Exhibit 31.2

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

I, Corey Whitely, certify that:

I have reviewed this Quarterly Report on Form 10-Q of Ethan Allen Interiors Inc. ;

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;

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 registrant as of, and for, the periods presented in this report;

The registrant'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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

/s/ Corey Whitely Executive Vice President, Administration,
(Corey Whitely) Chief Financial Officer and Treasurer

January 28, 2015

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Exhibit 32.1

SECTION 1350 CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, M. Farooq Kathwari, hereby certify that the December 31, 2014 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

January 28, 2015

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES

Exhibit 32.2

SECTION 1350 CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Corey Whitely, hereby certify that the December 31, 2014 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/ Corey Whitely Executive Vice President Administration,
(Corey Whitely) Chief Financial Officer and Treasurer

January 28, 2015